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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Thursday November 2 1989

### No.30.988

### World News

### Ortega calls a halt to chain to be ceasefire investigated with Contras

President Daniel Ortega of Nicaragua formally ended a fragile 19-month ceasefire against the US-backed Contras, dispelling last-minute hopes that the decision might be reversed or postponed. Page 18

Britain's Monopolies and

Mergars Commission is to investigate Michelin Tyre's

\$219m takeover of National

Tyre Services, a 420-outlet

replacement tyre distribution chain. Page 19

TIN prices fell on the LME throughout the day and cash metal ended at \$7,135 a tonne,

1989 : "

down \$385 to the lowest level since the tin contract was re-

CAMPBELL Soup chief execu-tive Gordon McGovern resigned raising a furry of speculation about one of the US's most powerful food com-panies. Page 19

SEA Containers, Bermuda

based group which owns Sea-link British Ferries, has buyers for all the assets it intends to sell as a defence against a hos-tile SLO2bn hid from Stena and

holding group, said D Joseph Corr had resigned as chairman

**JAPAN'S Ministry of Finance** 

is set to ease the rules that separate Japanese banking and securities business by

allowing companies for the first time to issue short- to

medium-term corporate bonds on the domestic market.

SOUTH Korean companies are to be refused the right to choose their own auditors to

certify financial accounts in an effort to clean up mislead-

ing balance sheet reporting.

FUJITSU, Japanese computer company, embarrassed the Government by admitting making artificially low bids for public contracts. Page 8

NEW WORLD Development

rise in after tax profits.

Hong Kong property company which agreed to buy hotal interests of Ramada of the US, has announced a 12 per cent

started on the exchange in

Nov

Cash metai (\$ per tonne)

1.111

10000

9000

8000

7000

Tinhook.

Jun

June. Page 30

Bhutto survives vote

Benazir Bhuito, Pakistan's Prime Minister, sarvived a vote of no confidence in her government but saw her major-ity in the National Assembly much reduced. Page 18

Paris-Bonn summit **President François Mitterrand** and Mr Helmut Kohl, the West German Chancellor, will try to reach agreement on boost-ing international aid for Poland at a crucial two-day summit in Bonn. Page 3

**Cold War prediction** Soviet Foreign Ministry spokesman Gennady Gerasimov predicted next month'a superpower summit would end the cold war, dumping it to the "bottom of the Mediterra-

### Beirut poli threat

The assassination of a retired Saudi embassy employee in West Beirut further jeopard-ised a proposed presidential election in Lebanon. Page 8

### Lee unrepentant

Page 19. Martin Lee, Hong Kong's lead-ing liberal campaigner, last NI, Industries, controlled by Harold Simmons, the Dallas investor, made a \$50 a share offer for Georgia Gulf valuing night refused to apologise to Peking for criticising the Chinese army's crackdown on dis-sident students. Page 8 the chemical company at \$1.2bn. Page 22

### **Ukraine strike**

**EUROPEAN** Commission has been faced with an Anglo-Ger-Miners in the Ukraine, man attempt to water down draft rules for closer economic demanding improved pensions and holidays, staged warning strikes in the Soviet Union's and monetary co-ordination. Page 3 largest coalfield, Page 3 CARDO: Swedish industrial

### Swapo accused

holding company affiliated to the Volvo group, and Lucas Industries of the UK are to set up a jointly owned company to make braking systems for and industry Baco ST South Africa accused Swapo guerrillas of crossing into Namibia from bases in neigh-bouring Angola in violation rail industry. Page 22 of the UN plan for the terri-CONTINENTAL Airlines, nontory's independence. Page 6 unionised subsidiary of Texas Air, the prominent US airline

Page 22

Page 23

Page 21

### **Business Summary E** Germans resume exodus Michelin bid despite Krenz reform plan for UK tyre

By Leslie Colitit in Berlin and Quentin Peel in Moscow

THOUSANDS of East Germans press conference by an East German leader to present himed the border into Czechoslovakia and over 600 took refuge in the West German Embassy in Prague yesterday, ignoring the promises of reform that were made in of Mr Gorbachev. Moscow by their country's new

leader, Mr Egon Krenz. Meanwhile officials in West Berlin said they were prepar-ing for the biggest influx of East Germans since before the Wall was built in 1961, because the Communist anthorities were expected to allow virtually unrestricted visits to the West in time for Christmas.

The new flood of asylum-seekers into Czechoslovakia threatened to recreate the crisis that developed a month ago when over 15,000 East Germans gained access to the Federal Republic by taking refuge in its Prague Embassy.

its Prague Embassy. But in sharp contrast with the September exodus, the lat-est refugees ware swiftly issued with documents by the East German Embassy in Pra-gue thus releasing them from East German citizenship. Some 70 of them were allowed depart immediately by bus for West Germany.

Germany. The East German state news agency ADN said that at least 8,000 citizens had taken advan-tage of East Berlin's decision to metror visa free free in al inte to restore visa-free travel into Czechoslovakia, a right which had been suspended on Octo-ber 3 in a bid to stem the exo-

In Moscow, Mr Krenz emerged beaming from a three-hour summit with Presi-dent Mikhail Gorbachev to pledge his enthusiasm for Soviet perestroika - and its relevance to reform in his own

leader which be was for years under Mr Erich Honecker, whom he replaced just two weeks ago. He expressed the convictions of a born-again democrat with a truculent confidence of a hitherto unassailable autocrat. Mr Krenz said of the mass demonstrations sweeping his

demonstrations sweeping his country, which continued throughout his 22-hour sto-pover in Moscow, that: "Many of them are in the streets to show that they want better socialism and the renovation of socialism Co I belium that this is society. So I believe that this is a good sign, an indication that we are at a turning point." The East German leader flatly rejected any hint of German reunification and spoke defensively about the Berlin Wall

He said the Wall marked a frontier not just between two states, but between two ideolo-gies and two blocs. "This is a border with the

biggest concentration of weap-ons in Europe," he added. "It tive shield."

cials said they were taking seriously the pledges of East Berlin - repeated yesterday by country. He gave the first-ever Mr Krenz - to liberalise travel.

BKRLIN'S role as a clasp between the two German states may be reinforced in the seek work in the city - not all legally - in order to earn Western currency and then coming months as city officials expect it to be the most popureturn home. The situation will eventually lar crossing-point when a sweeping liberalisation of travel curbs takes effect, writes Leslie Coliti. resemble that before the Wall when thousands of East Berli-ners commuted to work daily

in West Berlin. The reaction of West Berli-ners to this influx of Eastern-West Berlin is expected to be the prime magnet for Bast Gerers is likely to be divided. Those who view the East German visitors because of its location in the heart of the country, and because travel-ling to East Berlin, and then crossing the divided city, will be much the cheapest way for mans as competitors for jobs and social services may resent the newcomers' presence. "For nearly 30 years we said

self as a paragon of socialist renewal, modelled on the style And he denied that he could be called a hard-liner, even expressing positive enthusiasm for the mass demonstrations of East Germans on the streets, who are demanding more democracy and free elections. Yet his tone and delivery frequently sounded more like the old-style Communist youth

> Moscow yesterday after meeting Mikhail Gorbachev East German leader Egon Krenz ad

The officials are hoping that most East Germans will return bome after visiting the city, but they acknowledge that this is almost impossible to predict. East Germany, anticipating the worst, has assured citizens

that applications to perma-nently "resettle" in the West will be given prompt attention. Mr Günter Schabowski, the

That he believed the number of East German citizens wanting to stay in the West after visits would "not be so great." Another East German offi-cial, however, said the coming exodus could be "very heavy" at the outset.

next year. One noted that an

eventual convertibility of the East German Mark would

mean an enormous economic

AP adds: Mr Johannes

boost to West Berlin.

East Berlin Party leader, told the Mayor of West Berlin, Mr

Walter Momper, last weekend that he believed the number of

## West Berlin prepares for Christmas rush

to lose its "inhuman" function and would mainly serve as an economic barrier preventing highly subsidised goods from being taken out of East Ger-many and sold in the West. "We can live with that," the official remarked.

• AF ands: Mr Johannes Chemnitzer, the Communist Party leader in the East Ger-man city of Neubrandenburg, said during a visit to West Ger-many that the opening of bor-ders in other Soviet Rioc coun-trice was making the Basilie Every East German visitor will be entitled to an annual "welcome" payment of DM100 (\$54.6) courtesy of the Bonn Government. Last year nearly DM500m was distributed to vistries was making the Berlin Wall's significance "limited ltors from East Germany, and illusory." mainly pensioners but also 1.3m Easterners below retire-

Mr Günter Schabowski of the

Outlook for Ford poised US industry to launch mixed in spite of orders rise By Anthony Harris

in Washington THE SLOWDOWN in the US economy may be levelling out,

though activity in most indus-tries is still sluggish, reports released yesterday show. The National Association of Purchasing Managers' index, a register of economic condi-tions of the state of the

register of economic condi-tions, was at 47.6 per cent in October, up from up from 46 per cent in September. This is the sixth successive reading under 50, which marks an even balance of opti-mistic and pessimistic reports by mana However, it marked the sec-

ond monthly improvement, from the low point of 45.2 recorded in August. The index is the first indicator to be released for the month.

"The manufacturing econ-"The manufacturing econ-omy entered the final quarter with the sixth successive monthly decline...Supply is considerebly greater than demand," said Robert Bretz, chairman of the purchasing managers' survey committee. The report shows that the growth of orders continues to he led by the export sector, despite recent fears that US export growth may be stalled.

despite recent fears that OS export growth may be stalled. Nineteen per cent of those reporting showed improved export orders, against 8 per cent reporting a decline. The bullish majority was stronger in earlier months.

The report showed a contin-ued decline in prices paid by manufacturers for parts and

materials. The Federal Reserve "Beige Book," which is a report on current conditions prepared by member banks for the next meeting of the Federal Open Market Committee on November 14, shows a continued mixed picture.

Consumer demand remains weak in durables but recover-ing in non-durables, and man-ufacturing activity remaining strong in aircraft, sharply up in farm equipment, but weak in other sectors.

The Beige Book reports trou-bles in the computer and electronics industries and says that producers of construction machinery and heavy-duty trucks report further slow downs in orders and sales. But it notes that orders for office equipment may be levelling out

"Auto industry contacts are

Jaguar bid by end of this week

D 8523A

VIETNAM

**Putting its** house in order

Page 6

By Kevin Done, Motor Industry Correspondentin London

FORD of the US, the world's second largest car maker, was poised last night to launch a full bid to take over Jaguar,

the UK luxury car maker. Ford's decision to move to acquire outright control follows the surprise move on Tuesday by Mr Nicholas Rid-ley, the UK Secretary of State for Trade and Industry, to waive the use of the Govern-ment's so-called goldan share, which could have protected Jagnar from hostile predators until the end of 1990.

It is understood that Ford is planning to launch its attack on Jaguar before the end of the week. Barring last-minute changes in financial markets Ford was preparing last night to unveil its offer today.

At the end of trading in Lon-don yesterday Jaguar was val-ued at £1.61bn (\$2.54bn), a gain of 10p to 879p. The Government's move

took by surprise both Jaguar and General Motors, Ford's arch domestic rival and the arch domestic rival and the company with which Jaguar had been hoping to agree a package deal, which would have preserved at least a sem-blance of independence and involved a minority GM stake. It is understood that Sir John Error Leaves choirmen John Egan, Jaguar chairman and chief executive, met Mr Ridley late yesterday in Lon-don in a meeting that had been scheduled before the minister's appouncement on Tuesday.

The decision to waive the golden share had been made witbout prior consultation with Jaguar, and the luxury car maker was quick to express privately its dismay and the belief that any chance of preserving its independence was now a "forlorn hope".

The Government move, which Mr Ridley said was aimed at resolving the "present climate of uncertainty" over Jaguar's future, has effectively cleared the wey for a rapid strike by Ford.

The US group had already informed the US authorities last week that it was prepared to make a full bid for the company if Jaguar's present restrictions on the size of individual shareholdings were removed. Ford has built up a stake of at least 13.2 per cent in

can be used as a kind of protec-However West Berlin offi-

### Sarney charges

Damaging charges have been levelled against President José. Sarney of Brazil alleging he was behind a secret conspiracy to launch the television star, Silvio Santos, in a last-minute bid for the presidency. Page

#### Mugabe defiant

President Robert Mugabe. backing southern African states' defiance of a worldwide ban on ivory trading, said Zim-babwe would continue to kill elephants and sell their ivory.

#### **Lockerbie link**

Swedish police have uncovered a possible link between a Pal-estinian on trial in Stockholm for terrorism and the 1988 bombing of a Pan Am jumbo jet over Scotland. Pan Am action, Page 4

#### Warsaw-Seoul ties

Poland became the second Eastern European country to establish diplomatic relations with South Korea, the former anti-communist cou is boosting ties with enemies. Page 8

#### **Madrid art ind**

An inquiry is under Madrid into the mys pearance of four ar ieces from the Pal Page 18 Page 8

### MARKETS

STERLING	DOLLAR	STOCK INDICES
New York kunchlime:	New York lunchtime:	. FT-SE 100:
\$1.578	DM1.844	2,160.1 (+.17.5)
London:	FFr6.255	FT Ordinary:
\$1.5785 (1.578)	SFr1.62095	1,738.1 (+16.4)
DM2.900 (2.905)	Y143.425	FT-A All-Share;
FFr9.8425 (9.8575)	London:	1.088.76 (+0.7%)
SFr2.5375 (2.5475)	OM1.8365 (1.841)	
Y224.25 (225.25)	FFr6.235 (6.2475)	New York Junciations
£ index (88.4)	SFr1.607 (1.6145)	DJ Ind. Av.
OCLD	Y142.10 (142.70)	2,638.11 (-8.97)
New York: Comex Dec	\$ index (89.6)	S&P Comp
\$377.0 (377.6)	Tokyo close: Y143.08	340.34 (-0.02)
London:	US LUNCHTINE	Tokyo: Nikkei
\$373.75 (375.25)	RATES	35,584.43 (+14.99)
N SEA OIL (Argus)	Fed Funds 81 %	
Brent 15-day Dec	3-mo Treasury Bills:	LONDON MONEY
\$19.075 (+0.4)	vield: 8.048%	3-month Interbank:
9 18 JU 9 ( 7 JU 4)	Long Bond	closing 152 (1533)
· · · · · · · · · · · · · · · · · · ·	10213	Liffe long gilt future:
Chief price changes yesterday: Page 19	yield: 7.907%	Dec 92.3 (92.2)

MARKET REPORTS: CURRENCIES, Page 38; Bonds, Pages 23, 24; COMMODITIES, Page 30; EQUITIES, Pages 31 (London), 39 (World)

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c relations the formerly mtry which h its former	GENKRAL RE, largest US rein- surance company, reported strong third quarter results despite heavy losses from Hur- ricane Hugo. Page 21
way in stery disap- master- acto Real.	INDIAN Airlines, the state- owned carrier that operates domestic romes and those to neighbouring countries, is to buy 33 new aircraft in the next five years at a cost of \$149m.

Page 21

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residents of, say, Leipzig or Dresden to move West. City officials in West Berlin say a considerable number of East Germans are likely to

By Raymond Snoddy and Daniel Green in London

CARLTON Communications,

the British video and television services company, is to sell Cosworth Engineering, the spe-cialist in high-performance car engines, in a deal that could be

engines, in a deal that could be worth £250m (\$392m). A prospectus is being drawn up for the Midlands-based engi-nearing company and the lead-ing players of the automotive industry such as Ford, Fiat and General Motors are expected to show interest in what could become an international one.

become an international auc-

tion.

tion. Carlton acquired Cosworth in May as part of the £490m acquisition of UEI, a digital processing and engineering company. The group has already sold Oxford Instru-ments, which it acquired under the deal, for nearly 250m. Mr Michael Green, chairman of Carlton, acquired UEI pri-marily because of its expertise in manipulating television pic-tures and video special effects. He has continued to deny that Cosworth is for sale but it

that Cosworth is for sale but it has always been clear that the

success for Airbus

The squabbling that threatens

23

19,20

19.21

10-12 . 42

As orders boom, the success of Airbus is

being threatened by

nationalistic rivalry. Chancellor Kohl (left) is expected to raise

the heat further today

by renewing demands that a key assembly

line be uprooted

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Agriculture

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World Trad

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the Wall must go but we knew it would not," one West Berlin city official said. "Now comes the test of our convictions." He said the Wall was about

since the 1960s.

the West

tor at ICI .

ncial Fub

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Let

ment à in the West. Officials have estimated that

the payments will rise to between DM1bn and DM1.6bn

East German Politburo said the anthorities might come to a working relationship with the country's largest opposi-tion group, New Forum.

optimistic about maintaining current assembly schedules, and shipments of large farm tractors and combines are well

Jaguar in the six weeks since it first announced its intention of becoming a "major shareholder" with a total investment to date of around £170m. EFFECTS



### EUROPEAN NEWS

# Wanted: a deterrent to nuclear nonsense

### The torrent of change in the East has provoked two extraordinary rows in the West

OONER or later, it was bound to S OONER or later, it was bound to happen. For five years, in the face of the Gorbachev Revolution, the West managed to sustain in public the discreet and sensible posture of con-cerned but detached observers. In the background there may have been some confused muttering, but on stage Western governments displayed the serene impassivity of an experienced psycho-analyst. But the torrent of change in the East has at last succeeded in provoking two public rows in the West, one entirely stupid, one entirely serious.

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The first crupted last weekend between two rival branches of the Bush Administration, the second last week between the German and American

between the German and American governments at a meeting of Nato Defence Ministers in Portugal. The stupid row is just baffling. The argument was over whether it is still entirely possible, or by now inherently improbable, that President Mikhall Gor-bachev will bring off his amazing high-wire act. Mr James Baker, the Secretary of State, has decided to adopt a posture of State, has decided to adopt a posture of glassy optimism; in the National Security Council, by contrast, the judg-ment is dourly pessimistic; and the opti-mistic Mr Baker has banned a pessimis-tic speech by Mr Robert Gates, No 2 in the NSC.

This is an odd kind of quarrel, because it can have no bearing on the outcome of events in the Soviet Union. The cheerful smile of Mr James Baker cannot improve Mr Gorbachev's chances of carrying off his reform plan; conversely, there can be no advantage in poor-mouthing him, except for the futile pleasure, at some future date, of saying I told you so. There may well be some advantage in

staging a summit meeting on battle-ships; the public relations impact may have a sustaining effect on President Gorbachev's reputation at home, and thus on his fortunes; the meeting may lead to valuable agreements. But in

By Robert Taylor in Stockholm

THE SWEDES, the world's

most highly taxed people, are in no hurry to see a reform of

their tax system, eccording to a nationwide opinion survey

published yesterday by the Swedish business weekly Veck-

The country's political lead-ers are meeting almost around the clock trying to hammer out the final details of what is sup-

posed to be the biggest shake-np of the country's tax structure in a hundred years;

but voters seem rather uncer-tain about the process, despite

ans Affarer,

terms of the domestic Soviet scene, nothing can be changed by bald predic-tions of success or failure and it is astonishing that responsible American officials should think this kind of game worth the candle.

The other row, however, is a sight more interesting, because it concerns Western policy rather than empty opinion. The arms control talks under way in Vienna are set to revolutionise the balance in East-West conventional forces, with significant cuts on the

### IAN DAVIDSON ON EUROPE

Western side and very deep cuts on the Warsaw Pact side; and a deal along these lines may well be within reach before the end of next year. Against this background, the Nato Defence Min-isters last week very sensibly, and not a moment too soon, commissioned a study to see what difference this would make to the role of nuclear weapons in the alliance. Unfortunately the study issue turned

into yet another clash over nuclear weapons between the Germans and the Americans. The Americans insisted

Americans. The Americans insisted that it would be a merely conceptual exercise; whereas the Germans claimed that it would be the first step towards negotiations on short-range land-based nuclear missile forces (SNF). Superficially, this sounds like a semantic squabble; but it points to the continuing deep unease in Nato over nuclear doctrine. Last May, after a pro-longed tug-of-war between the Germans and the Americans, the Nato summit hammered out an agreement that it hammered ont an agreement thet it would offer to talk abont a *partial* reduction of American and Soviet SNF; but these SNF talks would not begin until negotiated reductions in conven-tional forces had started to be imple-

a daily barrage of comment and information from the

wanted the tax reforms carried out before the next general

election due in September 1991, as many as 42 per cent said that they preferred to wait until after that date, while 21 per cent said they did not

know what they wanted and only 37 per cent favoured the

introduction of the tax changes

before the general election. In fact, the ruling Social

Democrats are pledged to push

When asked whether they

mented; and reductions in SNF would not be implemented until the conven-tional force cuts had been completed. The trouble with this formula is that,

while it may have served to gain time and save face, it does not offer a solu-tion to Nato's central dilemma: what are nuclear weapons for? The Compre hensive Concept of Arms Control and Disarmament, a windy document adopted by the heads of government in May, was an attempt to address the issue; but its answers are unconvincing, both politically and intellectually.

It asserts, for example, that land, sea-and alr-based nuclear forces will con-tinue to be needed in Europe, including ground-based missiles, "in the present circumstances and as far as can be foreseen". Yet the reasons given for these forces are contradictory or unhistorical. It says, for example, that "the Allies" sub-strategic nuclear forces are not designed to compensate for conven-tional imbalances". And yet we know that that is precisely why Nato strategy depends so heavily on nuclear weapons; moreover, the Nato summit established a clear link between SNF cuts and conventional force cuts. On the other hand, the Comprehen-

sive Concept says that "the sub-strate-gic nuclear forces deployed by member gic inclear forces deployed by member countries of the Alliance are not princi-pally a counter to similar systems oper-ated by members of the Warsaw Treaty Organisation". Oh really? So what is the logic of offering to negotiate equal cuts on both sides? And if the role of nuclear weapons is neither to compen-

nuclear weapons is neither to compen-sate for conventional weakness, nor to offset nuclear weapons on the other side, what are they there for? For the time being, Nato probably has to make do with the unsatisfactory fudge of the Comprehensive Concept. The Vienna talks may succeed in elimi-nating the Soviet Union's substantial superiority in conventional forces, but superiority in conventional forces, but until that great day, Nato has to stick

Swedes are vague on tax changes - but they're sure they don't like them

with its existing defence posture. By virtually common consent, President Gorbachev is the least threatening Soviet leader in 45 years; but his pacific intentions have yet to be translated into reliable new relationships, and no-one knows whether a set-back to domestic perestrolka would lead to a foreign policy reversal. For the moment, cantion would be a sensible watchword for the

But caution will not necessarily be sufficient for very long. If we do get within reach of a conventional force balance in Europe at significantly lower levels, voters everywhere will want a much better rationals for nuclear weap-ons than they were given in May. Mr James Baker has declared that perestroika provides the "clearest opportu-nity to reduce the risk of war since the dawn of the nuclear age". And the International Institute for Strategic

International Institute for Strategic Studies has concluded that planned uni-lateral Soviet force cuts would virtually rule out a surprise attack on Nato. Obviously, the Nato allies will con-tinue to need some form of nuclear deterrence so long as any petential adversary has nuclear weapons. But new circumstances may justify a much lower threat assessment. But in any case, when Nato leaders more boldly from the general need for nuclear detertower tilteat assessment. But it any case, when Nato leaders move boldly from the general need for nuclear deter-rence, to the specific claim that Nato will need land, sea- and air-based nuclear weapons in Europe, including land-based missiles, they are making a very large leap indeed. Moreover, it is not a very well-judged leap, since every-body knows that the Germans will refuse to put it into practice. No one wants to talk about nuclear weapons when there seems a realistic chance of building peace. But the price of talking unrealistic nonsense about nuclear weapons, is that it creates gra-tuitous political stresses on the political coherence of the West, for the sake of a doctrine which is out of date.

### Hungary bid for European social fund membership

A COUNCIL of Europe refugee committee, meeting in Hun-gary for the first time, is back-ing Budapest's bid to join the council's social development fund to help it cope with the influx of Romanian refugees,

influx of Romanian refugees, Renter reports from Rudapest. No East European state is currently a member of the council. Joining the social development fund would be a step towards full membership, which is limited to states that accept the rule of law and accept different full human accord citizens full human

rights. "Membership (of the fund) would be a practical response to Hungary's search for politi-cal and financial support from Western governments," the committee's chairman, Wilfried Bohm of West Germany, said

in a statement. Cash strapped Hungary faces severe problems in coping with the nearly 27,000 Romanian cit-izens who have arrived in the izens who have arrived in the country since January 1988, seeking refuge from the hard-ships of life under Romanian President Nicolae Ceausescu. Hungary, which is moving from one-party Communist rule to political pluralism, has broken bilateral agreements with bardline Communist

with hardline Communist Romania by allowing them to

stay. Most of the 23,500 refugees still in the country are ethnic Hungarians from the former Hungarian territory of Transyl vania. More than 1,100 are eth nic Germans and 4,200 ethnic Romanians.

Rome's vote counting system cannot add up By John Wyles in Rome

FINANCIAL TIMES THURSDAY NOVEMBER 2 1989

The Art of the second

beneficiaries of this surplus A NEW addition was made yesterday to the doleful list of public services whose function-ing in Rome leaves something

bench claries of this surplus had been the DC and that in the cool light of dawn the party had lost a seat rather than gained one – while the Communist Party's decline was fully half a point less than into be desired. Ainid embarrassed explana-tions of incompetence from one quarter and denunciations of taily reported. The Communist Party yes. terday delivered a dossier on "dubious cases" to the DC Min-ister of the Interior, Mr Anio. fraud from another, it has raud from another, it has become clear that the Italian capital's system for counting votes is something less than a well-olled machine. It is less efficient, for exam-ple, than the vote-winning jug-mernant, of the Utital of Sharnio Gava - whose own constit-

uency around Naples, coincidentally, has been the subject of magistrates' inqui-ries into allegations of voting gernaut of Mr Vittorio Sbar della who, againet all expectations, secured the lead-ing slot for his Christian Demories into allegations of voting frands in the 1967 election. Mr Angelo Barbato, who has been governing Rome as a spe-cial commissioner since the council was dissolved on the instructions of President Cos-siga in July, is the apologetic leader of the "incompetence" nexts the cover there were "mis. cratic Party (DC) to city elec-tions on Sunday and Monday.

In fact, so overwhelming was the performance by this bull-dozing boss that for about 15 hotrs after polls closed on Monday, the DC was credited with 33,000 too many votes. This was enough to produce headlines in Tuesday's papers affirming a resounding success both for him and his natron.

animing a resonang success both for him and his patron, the Prime Minister Mr Giulio Andreotti, in holding on to vir-tually all the DC's 1985 vote after four years of modest, lai-terly scandalous, guidance of the city

the city. Officials said later they had realised at midnight that they results, but the press was not told until Sam on Tuesday. It was a computer which finally could not stomach the fact that 48,000 more votes were allocated to parties than the total

climb from Monday night's "result" of 26.12 per cent to arrive at 26.64 per cent. of votes cast. Its electronic protests regis-tered the fact that the main

month after the tax reforms.

Fourteen per cent thought they would actually be worse off.

Half those asked said that a

income caused by lowering personal tax rates, while 49 per

FINANCIAL TIMES

party. He says there were "mis-understandings" during the telephoning of results from the indivudal sections where they are counted to the election can-

are counted to the election cen-tre in the Campidogiio, Rome's town hall. Such a thorough check was still being made yes-terday morning of written results sent in from the sec-tions that a set of final results appeared more than 48 hours after polls closed.

after polls closed. This showed small alter-ations in nearly all the parties' scores. The DC - initially cred-ited with just over 33 per cent - finished at 31.93 per cent, while the Communists - in the course of several recounts - made a continual upward climb from Monday night's

after polls closed.

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ber One Southwark Bridge, London S E 1 9 H L. <sup>9</sup> The Financial Times Ltd, 1989. FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates 3565,00 per annum. Second-class post-age and at New York NY and at addi-tional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022. Financial Times (Scandinavia),Oster-gade 44, DS-1100 Copenhagen-K., Den-mark. Telephone (01) 13 44 41. Fax (01) 935335. tax on shares was the best way of recouping the reduction in cent also thought that com-pany cars should be taxed and 31 per cent luncheon vouchers. On the other hand, very few want to see more indirect taxa-

tion on services, travel , the use of energy and pension

cent believed they were bad or very bad. This result also sug-gests that just over a third through the reforms by January 1991 and hope to do so in two instalments with the first coming next January, Nor does there seem wide-spread enthusiasm for the Gov-

gestion in the survey that the young, and particularly young men, believe the reforms will provide an incentive to work harder and longer hours, though as many as 66 per cent thought it would do nothing to encourage them to save more, compared with 16 per cent who thought it would. Women in general have the

Surprisingly few, however,

have no view at all on the mer-

its of the tax reforms. Less than a third of blue-collar workers in both the private and public sectors and a simi-lar proportion of public sector white-collar workers were posi-tive about the tax plans. The majority view among Swedes seems to be that the proposals will benefit only the already

better-off and not the rest of the population.

seemed to have any idea what is being proposed. Only 40 per cent of those questioned said they knew a great deal or any-thing about the proposals. . However, there is some sug-

have family responsibilities and lack the opportunities to extend their paid working hours.

ence to their own post-tax posi-tion though a similar propor-tion expected they would gain from the changes, with 16 per cent believing they would make SKr500 (£49.50) more a

1941 A 1940 States Barries

ernment's present tax plan which is designed, among other changes, to cut the mar-ginal rates paid on personal incomes from their present 72

per cent to 50-55 per cent for the better-off.

Only 39 per cent of Swedes asked said they thought the proposals were good or very

good while as many as 27 per

least expectation of improving their income position after the reforms, especially younger women because many of them

As many as 43 per cent of Swedes surveyed believed the tax plan would make no differ-



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### EUROPEAN NEWS

### Karabakh chief **UK-German** assault on rejects call to closer EC end Moscow rule

miners.

Communist party headquar-ters in Donetsk to make their

television employees in the

jammed national television

programmes. Executives of the television

demands known.

### By Quentin Peet in Moscow

THE SOVIET administrator of the strife-torn territory of MINERS IN the Ukraine, Nagorno-Karabakh, yesterday rejected calls for direct rule by Moscow to be abandoned, and for Soviet troops to be withdrawn.

Mr Arkady Volsky warned Mr Arkady Volsky warned that such action, demanded by the republic of Azerbaijan, would precipitate a new wave of bloodshed in the disputed region. However, he called for the local Communist party committee, and the regional government, to be restored to share power with his special administrative committee. Mr Volsky's statement is the

Mr Volsky's statement is the clearest indication yet of a secret decision in Moscow on how to bring peace back to Karabakh - and appears to fly in the face of Azerbaijani hopes for an end to direct rule. A threatened republic-wide strike was called off last month after assurances that Mr Volsky's committee would be dis-banded.

He also revealed yesterday that his authority is already being openly floated. Azerbaijani nationalists had seized control of the local television relay station and were refusing to hroadcast national pro grammes, substituting them with "unruly and abusive texts and discussions," he said.

not do this, because very soon we would have to bring them back," he said. "This will not Mr Volsky's interview was be any comfort for those who have already died." He rejected calls for a referpublished in Moscow News, the outspoken weekly newspaper, which also revealed that an 18endum on the future of the month-long road and rail blockade of the entire Kararegion, saying it would he pointless. A vote held in Karabakh region has yet to be brobakh alone would decide to ken, causing severe food and fuel shortages. Supplies have to be flown in from neighbourjoin Armenia; whereas e vote in the whole of Azerbaijan would say the opposite. He then revealed that state ing Armenia.

The majority Armenian population in Karabakh have demanded to leave Azerbaijan town of Shusha, the main cen-tre of Azerbaljani population in Karabakh, had seized control of the local relay station, and and join Armenia, a move which has caused a furious backlash in Azerbaijan. Direct rule from Moscow was imposed last year to end months of race riots and protest strikes, but to

service were flown from Moscow, and Soviet soldiers installed in the studios, but little avail. Mr Volsky said any decision to abolish his special administhey had to withdraw after "the building was surrounded by a crowd of thousands of trative committee in Karabakh would mean an end to the curfew, and the removal of Intepeople. Of course, the order rior Ministry troops. "We must was not given to shoot."

co-ordination By David Buchan in Brussels demanding improved pensions and holidays, staged warning

THE European Commission has been faced with an Anglo-German attempt to water down draft rules for closer economic and monetary co-ordination which it is shortly to present for the approval of EC finance strikes in the Soviet Union's largest coalfield yesterday and were considering further

ministers. action, a strikers' representa-tive told Reuter in Moscow. He Largely at West German and British insistence, the EC's Monetary Committee has said that virtually all 28 mines in the important Donetsk min-ing centre had stopped work called for three changes to the Commission's proposals on how finance ministers and cen-tral bank governors should concert their policy moves for two hours. The action took place a day after miners' leeders in the Ukrains decided against from July 1, when stage one of

results of e pit referendum the Delors plan for tighter eco-nomic and monetary co-operation is due to start.

The Commission has to decide whether to incorporate the changes into its proposals. They would revise the 1964 and revealed e deep split among The strikers' spokesman said they were demanding a specific date on which new regulations governing holi-days and pensions would be sent to the Supreme Soviet, the country's parliament. 1974 EC Council decisions that have formed the basis for past policy co-ordination between finance ministers and central bank governors. The changes in the proposals

call for:. • A watering down of the pro-He said representatives of about half the area's pits had massed in front of the regional posal that ministers and gover-nors concert reaction to exter-

al economic events through BC bodies. Britain and West Germany want to continue to make meetings of the Group of Seven the focus of their policy discussions with the US and ments. Japan. By contrast, France and Italy, the two other EC states in the G-7 group, are content to boost the EC axis of their international economic policy. · Reporting hy the central bank governors to the European Parliament alone, and not

to the twice-yearly summits of BC leaders. Keeping governors out of the summit limelight may be institutional jealousy on the part of the Monetary Committee, where finance min-istry officials tend to predominate over central bank ones. • A weakening of any com-mitments which individual

countries might take on as e result of the Commission's proposal for more vigorous debate among finance ministers and greater "peer group" scrutiny of each other's policies. West German, and to a lesser extent British, officials have pushed for this weakening inside the Monetary Committee.

tion line in Hamburg for the François Airhus airliner – a proposal strongly opposed by the Mitterrand and Mr Helmnt Kohl, the West German Chan-cellor, will try to reach agree-ment on boosting international French.

Mr Mitterrand and Mr Kohl will be comparing notes on the aid for Poland at a crucial two-day summit starting in latest political changes in East Germany. Mr Kohl is likely to The talks between ministers reassure France that any move on both sides will hinge on ways of speeding west Euro-pean integration, so as to towards German reunification will take place only in the framework of overall moves to strengthen the European Com-munity's hand as it seeks to hreak down East-West barriers. Anxious to bind the Federal respond to events in Eastern Republic still more firmly Europe. Differences between within the Western community, Mr Mitterrand will press Bonn and Paris, however, may

the Bonn Government to speed

up efforts to forge European

monetary union (EMU).

**Bonn and Paris to discuss aid for Poland** 

Mr Mitterrand said last week he wanted the Community summit in December to agree to hold in the second half of next year a conference to change the Treaty of Rome and pave the way for EMU.

Opinion in the Bonn Government and at the Bundesbank on the speed with which monetsry union can he accom-plished is divided. But Mr Kohl seems likely to agree to start the conference in the second half of 1990, with the strong possibility that crucial deci-sions on EMU could be delayed

until 1991 – after the German general elections in December next year.

On aid for Poland, Mr Kohl wants to co-ordinate his approach with France before his five-day visit to Poland starting on November 9. Bonn sdvocetes generous deht rescheduling, together with credits to finance individual economic projects. But the West Germans oppose global Marshall Fund-type aid.

Mr Kohl badly needs an international consensus to evoid overtly taking the lead in Western support for the

reformist government. In view of centuries of German-Polish conflict, relations with Warsaw are still very delicate.

This has been highlighted by the discord over the Chancellor's plans to visit the Silesian monastery of Annaberg, near the Czech border, on his Polish trip. The site, the scene of a bloody confrontation in 1921 between German soldiers and Polish rebels, is a patriotic symbol for both sides.

Squabbling that threatens success, Page 25

## Kurds face another bleak winter

Jim Bodgener takes a trip with the army to Turkey's insurgency

W Inter is fast approaching in the rugged mountains of Turkey's sonth-east where guerrillas of the separatist. Marxist Kurdish Workers' Party (PKK), operate. Blizzards and the cold are expected to drive the guerrillas down from their monntain hide outs where security forces will be waiting for them, according to senior gendarmeric officers. Some will evade the net, and return to hases in Iran and Syria, while others may winter

surface over West Germany's

efforts to open a new produc-

By David Marsh in Bonn

PRESIDENT

Bonn today.

in deserted hamlets and settle-This year's migration comes after a sharp escalation in fighting between the Kurds and the Government in East-ern Turkey. Since March the death toll from clashes has

death toil from clasnes has doubled to around 70 a month, clasnes with a people who do not officially exist, who speak e "non-language" and belong to a proscribed organisation. For Turkey the Kurdish insurgency in the South is not just a serious military threat but also e growing internabut also e growing interna-tional political problem fueling European opposition to Ankara's entry into the EEC.

While the insurgency continwhile the insirgency could near it fuels growing resent-ment of the suppression of Kurdish ethnicity elsewhere in Turkey, particularly in the main opposition Social Demo-cratic Populist Party (SHP). Many of its moderate and left wing deputies come from the south east and, although they do not say so, are ethnic

Kurds. This to some extent mirrors the vicious internecine polarisation in the south-east hetween PKK sympathisers and Government supporters. Brigadier General Kamil Bassr, gendarmerie commander in Hakkari province,

estimates there are around 2,250 PKK guerrillas currently operating in the south-east. According to Mr Hayri Kozakcioglu, Super-vali, or regional governor handling security in six provinces of the south-east, the security forces were winning during the sumr because they brought the

battle to the PKK, not the other way round. He made the comments during e helicopter visit to the region arranged hy the Government for foreign journalists. The insurgency had been contained in an area centring on the Cudi mountain massif, and embracing parts of Siirt, Mardin and Hakkari

provinces, he claimed. But so long as the root lay outside in external support, the government could only contain the problem, Mr Kozacioglu tacily admitted. The official line is that neighbouring pow-ers, jealons of Turkey's economic development, seek destabilisation and backwardness in the sonth-east through the PKK's destruction of infrastructure like dams, water sup-plies, roads and electricity lines, schoolroom tactics in guerrilla warfare.

Officials point the finger of blame at Syria and PKK training bases in the Syrian-con-

trolled Bekaa valley; Syrians and Armenian Syrians have had been discovered running with the guerrillas inside Tur-key, said Brigadier-General Basar. PKK fighters had also infiltrsted from two hases

recently established in Iran. Seeling the horders is well-nigh impossible, althoughcross-border trade has ceased with Iraq since Beghdad cleared a 30km wide cordon sanitaire against Iraqi Kurdish guerrilla fighters from the Kurdish Democratic Party (KDP). In Turkey there were around

S0 villages whose 10,000 inhab-itants were in danger of cross-fire, and would be helped to move if they wanted to, said Mr Kozakciogin.

"For years, these mountains have been full of bandits," he added. The border bad-lands from the air are e maze of jum-hled peaks, ridges, river valleys, switchback ravines and gullies, caves, and remote villages and settlements.

Arrayed against the PKK are security forces answering to Sectimity forces answering to Mr Kozakcloglu – gendar-merie, special police hit teams, and village guards – number-ing around 30,000. Based in the region are also about 100,000 soldiers and airmen, contingents of which sometimes take part in combined operatious with the security forces.

There are around 15,000 village guards. They join up both for security and economic reasons, their monthly pey around TL400,000 compares

with the netional minimum wage for adults of TL225,000 and the area is one of the most

deprived in Turkey. Many Kurdish agas (land-lords) are inimitably opposed to the PKK's ideology; one in the gendarmeric officers' mess in Hakkari town was wanting more guns for a spring offen-sive. Other agas side with the guerrillas for self-preservation, distrust of the security forces, and sometimes because of tribal politics. Although offi-cially denied, clan loyalties and fends are inextricably bound

In the struggle. Lately, there has been an increase in the "kidnapping" of young people, aged upwards of 13-14 years old, who the PKK train and indoctrinate over the border eithough some or who border, although some go vol-untarily, officials said.

Throughout the summer, the PKK has thrown into the front-line ill-trained fighters barely out of childbood, they added. But independent reports

say the youths receive up to two years of intensive training The government's claim to have bottled up the PKK in Cudi does not explain why peasant are fleeing villages in Van province for fear of an out-break of terrorism. Nor does it sqnare with the security forces' need for an unspecified number of Apache helicopter gunships to be delivered soon.

What is clear on the ground is that the insurgency will be a running sore in Turkey's strategic sonth-eastern flank for some time to come.

### **Ozal rejects** report on torture

By Jim Bodgener in Ankara

MR TURGUT OZAL, Turkey's Premier and President elect, yesterday declared his belief in freedom of thought, religion and enterprise hut stopped short of promising to lift a con-stitutional ban on Communist and religious parties.

The Premier, due to become head of state on November 9 following e parliamentary bal-lot on Tuesday, also dismissed as ill-intentioned a report by Amnesty International saving that torture remained widespread in his country.

The study says that more than 500 political prisoners have claimed they were tortured in Turkey so far this year, and that 10 prisoners are reported to have died

The human rights body says use of torture to obtain information or extort confessions is "continuing unabated,"

Mr Ozal said the report reflected the influence of renerred the influence of "cir-cles in Europe" who wanted to influence the climate of opin-lon ahead of the European Commission's reply to Tur-key's two-year-old bid to join the Community.

He declined to say, before his inanguration speech, whether he wanted to change the constitution drawn up by the mili-tary in 1982. He indicated, however, that it would be difficult to delete articles 141 and 142, which ban Communist and religious parties.

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### AMERICAN NEWS

### New US military aid for Contras ruled out

#### By Lionel Barber in Washington

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THE White House yesterday condemned President Daniel Ortega's suspension of the cease-fire with the US-backed Contras in Nicaragua as "deplorable", but rejected suggestions that the decision would lead to a renewal of US military aid to the reb-

Mr Ortega formally ended the fragile 19-month ceasefire in an announcement yesterday morning, dispelling last-minute hopes that the decision might be reversed or postponed. Mr Marlin Fitzwater, White House

spokesman, said Mr Ortega's move seemed aimed at undercutting plans for next February's elections in Nicaragua. President George Bush was talking by telephone with regional leaders to get the cease-fire back on track, he said

reflects the Bush administration's sire to take the moral high ground clearly supporting next year's elec-

The aim is to isolate the Sandinistan in the hemisphere by casting doubt on their commitment to the ballot box. The extent of the US response in

future is also likely to depend on whether Mr Ortega actually orders Sandinista troops into combat with Contra rebels, most of whom are in neighbouring Honduras, a State Department official said.

It will also rest on the degree of pressure from Congress, where Mr Bush has faced criticism of being timid and cantious in his foreign policy, notably in the recent failed coup attempt in Panama.

Mr Ortega first announced his gov-rnment's intention to lift the ceasefire

during last weekend's hemispheric summit in San Jose, Costa Rica. The Nicaraguan leader also said that he would reconsider the decision if the US Congress would rechannel the money at present funding logistical support for the Contras and use the funding for assisting in their demobilisation

His threat drew widespread condem-nation in Congress. The US Senate voted 95-0 decrying the move, while even liberal opposents of the Reagan administration's policy of supplying wilthery aid in the Contrast expressed military aid to the Contras expres dismay.

Though the Tela peace accords pro-vide for the demobilisation of the Con-tras, Mr James Baker, US Secretary of State, has made it clear that the pro-cess must be voluntary. The White House yesterday reaffirmed that the US

wanted "repatriation and demobilisa tion" and said that it was inappropriate to talk about renewed military

aid. Mr Fitzwater said: "Our first pur pose, our only purpose at this point, is to get the cease-fire back on track, to try to get the Sandinistas to recommit

try to get the Sandinistas to recommit to the peace process, and to move for-ward to elections in February." Vice President Dan Quayle, who unu-ally serves as a stalking horse for hard-line supporters of Contra military aid, rejected such talk: "The time right now is to focus on fair and free elec-tions. We're going to continue to travel on that read." on that road."

The Contras are currently receiving humanitarian aid including food, medi-cine and clothing from the US. This is due to expire next February after the

### Sarney accused of promoting TV star as election candidate

### By ivo Dawnay in Brasilia

DAMAGING charges have been levelled against President José Sarney of Brazil that he was behind a secret conspiracy to launch the television star, Mr Silvio Santos, in a last-minute bid for the presidency of the republic.

Two weeks to go before polling, newspapers and public figures were yesterday unani-mous in their condemnation of the late entrant, claiming his challenge had been engineered by opponents to the front-run-ner, Mr Fernando Collor.

his government. Most businessmen and conservatives fear the popular star will take working-class votes from Mr Collor and could open the path to a left-wing victory. The more liberal media have also attacked Mr Santos, describing his decision to run He wear on to claim that Mr Sarney had first approached him to challenge Mr Collor at a secret meeting on September 4. However, the businessman had declined, saying that it was wrong to enter the race so late.

as unparalleled opportunism, making a mockery of the country's first free presidential elections in 29 years. But the most damaging attack has come from Mr Anto-

He went on to claim that Mr

race. However, the business-man's credibility is widely considered much greater than that nio Emirio de Moraes, owner of of the president. Votorantim, Brazil's largest private sector company, and a respected business leader.

The variety show host has still a big obstacle to climb; the electoral authorities have to Mr Emirio accused the president of secretly promoting Mr Santos's candidacy and jeoper-dising Brazil's future for per-sonal political ends, linked to Mr Collor's fierce criticisms of his grammant adjudicate over his right to stand, probably within 10 days. There is certain to be flarce. opposition.

Mr Sarney has since denied Mr Emirio's allegations, claim-ing he has always insisted on

staying out of the presidential

opposition. But despite the anger in high places, many ordinary Bradi-ians - Mr Santos's true con-stituency - appeared unmoved by the row. "Didn't the Ameri-cans have an actor as president once?" a transport worker asked. "I heard he was one of their best."

action is running out." He said

ing the tax rate on asset sales. do not have the votes to win.

keep up pressure by threaten-ing to veto the deficit roduc-tion legislation if it contains any unrelated proposals. Sens-tor Bob Packwood, the senior

Republican on the Senate Finance committee, said yes

terday that President George Bush was leaning more towards accepting as perma-

nent tha \$16bn across-the-board cuts in spend-

ing, known as sequestration, triggered two weeks because of the failure to pass a budget.

The White House is trying to

### The relatively moderate US response Ending truce puts war back on the agenda

Tim Coone on the risks Ortega runs in calling off the ceasefire against the Contras

NDERSTANDING the logic of Nicaraguan diplomacy is sometimes like peering into a hall of distorting mirrors. Nothing appears as you expect it to. The timing of President Dan-

iel Ortega's announcement of an end to the 19-month cease-fire against the US-backed Contras, has been interpreted by many western diplomats, and in Washington, as a blunder and a demonstration that the ruling Sandinistas are unwilling to follow-through on democratic reforms.

Seen from inside Nicaragua however, there is a perfect logic to the move. The key to understanding this is the sig-nificance of the December 5 adline for demobilising the US-backed Coutras based in Honduras.

This plan was agreed at the Tela summit last Angust among the five Central American presidents. It was seen as a big diplomatic success for the

Nicaraguans because, for the first time, all the Central American leaders agreed that the US-backed war in Nicaragua must come to an end and that demobilisation of the 12,000-strong army must be

In return, the Sandinistas approved democratic reforms at home and guaranteed a free and fair electoral process in next February's general elections

The US administration has been against the Contra demo-bilisation plan, and approved humanitarian aid for them to remain intact until after the February elections.

For the Sandinistas, how-ever, a continuing military threat from the Contras after next February is almost a guar-antee that the results of the elections will be disputed both by the hard-line leadership of the Contras, and by hawkish elements in Washington. A series of recent attacks by

the Contras have meanwhile strengthened the government's argument that the electoral process is being undermined and that the government has an obligation to protect the lives of its citizens and to ensure that military actions will not disrupt the elections in the countryside.

Redomestic perceptions of the Nicaraguan war and politics. Moral issues aside, will the US now renew military aid to tha Contras? Will Mr Ortega then cancel the elections? Will the war con-tinue for the duration of the

Bush administration? The Sandinistas will have carefully weighed these ques-tions before threatening tha new military offensive. If Mr Puch decide to survey him Bush decides to respond by renewing military aid, he is likely to be saddled with the war for his entire term of office. He would also jeopardise

be mounting diplomatic pres-sure. Intense behind the scenes Nicaragua's elections. As under the Reagan admindiplomatic activity, led by Costa Rica, Venezuela, Argen-tina and Canada, is now under istration, Nicaragua would then continue to be a stumb-ling block to an improvement way to try to prevent a col-lapse of the Central American in US relations with the rest of Latin America. The dominance peace process. Mr Ortega has called for a meeting in the United Nations this week to bring together the govern-ments of Honduras and Nicaraof the Nicaraguan issue at last weekend's Panamerican summit in San José was a clear indication of things to come if the Nicaraguan crisis cannot be resolved soon. Another element in the Sangua as well as leaders of the Contras, to stop the conflict

dinistas' calculation is the escalating.

take a clear stance on the sur-vival or demobilisation of the Contras.



THE US Treasury yesterday suspended sales of state and NEXT month'a summit between President George Bush and President Mikhail

Bush and President Mikhail Gorbachev will be held in the waters of the Mediterranean off Malta, the White House announced yesterday. The summit has generally been welcomed in the US, with the only criticism coming from conservations ceiling.

that they expect a key topic at the talks to be the security implications of the recent rapid changes in Eastern Europe and

the Soviet Union. The Democratic leadership in Congress, which has recently criticised Mr Bush for being too cantious in his approach, backed the meeting

as a positive step. Senator George Mitchell, the Senator George Mitchel, the Democratic majority leader, said he hoped the meeting would "aid the effort to achieve meaningful arms con-trol at the summit set for next spring". But he added that the announcement did not deal with the substance of policies and did not change his opinion that Mr Bush's approach to changes in Eastern Europe to date had been timid.

The only serious criticism came from conservative Repub-lican Senator Jesse Helins, who dismissed the event. "It sounds as if Mr Gorbachev is just engaging in more public rela-tions. I hope that no fundamen-tal decisions of any sort will be made." From a different angle,

the White House was appar-ently willing to push the US to the edge of default in its quest to win a capital gains tax cut. He warned: "The alightest local government securities because of the failure to pass legislation raising the federal debt ceiling. At midnight on Tuesday, the miscalculation could push us over the edge into a financial debt ceiling reverted to \$2.8 trillion (million million) from abyss if our government were to default for the first time in our nation's history." Senator George Mitchell, the \$2.87 trillion as a temporary increase expired and Congress had failed to approve a new Senator George Minchel, the Democratic majority leader, described the latest Republican offer - tying capital gains to a bill covering catastrophic health and employee health benefits - as "a frank admis-sion" that supporters of lower-

**Debt ceiling problems** 

halt securities sales

By Peter Riddell, US Editor, in Washington

ceiling. Because of temporary bor-rowing earlier this week by the Treasury, default has been postponed until November 9, unless a new debt bill is increased by then. However, in the interim, the federal govern-ment lacks anthority to issue any new debt obligations. Mancempring continued wea

any new debt obligations. Manoeuvring continued yes-terday about how to break the legislative logjam, with both Democratic and Republican leaders putting forward com-promise proposals to separate the contentious issue of capital gains from the measures to raise the debt ceiling and to cut the budget deficit.

Mr Dan Rostenkowski, the chairman of the House Ways and Means committee, said yesterday: "The clock is tick-ing and time for responsible

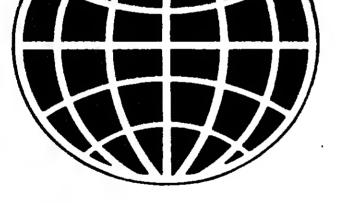
### Pan Am files suit over Lockerbie bombing

LAWYERS for Pan Am are seeking to show that US

By Lionel Barber The warning is said to have

Mr Ortega said yesterday: "What we are looking for is not a renewal of the ceasefire but a definitive end to the war." By putting the war back on political situation in neigh-bouring Honduras, which has been harbouring the Contras' rear-bases. Presidential elec-tions are due there on Novem-By putting the war nack on the agenda now, be appears to be gambling on reluciance in Washington to immerse the US again in the Contra issue, largely seen as a legacy from the Reagan era, and to force the Bush administration to ber 28 and none of the candi-dates has campaigned in favour of maintaining an armed Contra presence. Any US move to boost the Contras would have to have at least tacit Honduran backing, and the present circumstances this would be most unlikely. At the same time there will

# US officials have made clean



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Sovietologists in Washington stressed the domestic advan-tages for both leaders in the meeting. More conservative analysts argue that the meeting is a concession to Mr Gorbachev to

distract attention from his domestic problems.

seeking to show that US authorities were tipped off about an imminent attack against Pan Am 103, 24 hours before it exploded over Locker-bie in Scotland, killing 259 pas-sengers and 11 people on the ground.

According to court papers, the airline plans to take deposi-tions from the Federal Burean of Investigation, the Central Intelligence Agency, National Security Agency and Drug Enforcement Administration, from November 13 to 20 in Washington.

Israeli intelligence service. The BKA, the West German crimi-nal investigation service, is also said to have warned US authorities about "suspicious activities" in the baggage area at Frankfurt airport, where Pan Am 103 departed for

Heathrow en route to the US. The legal case has been filed by Pan Am and its security company and is the latest effort to prove that anthorities were broadly aware of a terror-ist attack against a US arliner. This has been strongly denie

The Coming Wave of **Japanese Investment** 

IMPLICATIONS FOR EUROPEAN BUSINESS

Claridge's Hotel, London, 16-17 November 1989

European companies already face major change from the single market programme. In the next few years further massive disruption to the business environment will follow from a rising tide of investment from Japan,

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- dent. The Reg
- says Goin, Managing Director, Japas Center for International Exchange, Tokyo, and former head of san Motor's Buropean and US operations
- > The Rt. Hon. Lord Young of Grafflenn, Deputy Chairman of the Conservative Party and former Secretary of State for Trade and Industry
- Michael Hotchinson, Deputy Managing Director, Yannachi International (En
- > Dr Berrie James, Author of "Trojan Home"
- > Jon Morris, Author of the Background Report to DGL EEC on "Ja Effects of Integration"
  - Tadashi Natori, General Manager, Industrial Bank of Japan
- Richard Norman, President of the European Association of Co
- > Don Pinchheck, General Manager, Epson UK,
- > Keja Sazuki, President, Panasonic Europe Lad
- > Dr Malcolm Trevor, Professor of Inte mational Personnel Management, Nagoya City University and that of "The Ist
- > Dr Barry Wilkinson, Author of "The Japa sation of British T

ce will be Fa



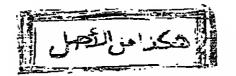
To register for the conference, or for further information, contact: James O'Toole, Business International Ltd, 40 Duke Street, London WIA 1DW. Tel: 0i-493 6711; Fex: 0i-491 210



It hadn't been the easiest of assignments. But now he had the data and the samples he wanted, and the weather was worsening. Time to make a move. "Take me to the Hilton." A great place, the Hilton. He sometimes took it for granted, but that was a compliment. He'd never been let down yet. He smiled to himself at the prospect of a warm welcome and a hot bath. For the next few days, the only ice he wanted to see would be in a tall glass in the lobby bar.  $\diamond$  For reservations at over 400 hotels, call your travel agent, any Hilton hotel or Hilton Reservations Worldwide. (Germany: 069 25 01 02, France: 1 46 87 34 80.)

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INTERNATIONAL



### **OVERSEAS NEWS**

## S Africa alleges | Fear of renewed Lebanese war raised by murder of Saudi Swapo incursion into Namibia

By Michael Holman, Africa Editor

SOUTH Africa yesterday

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SOUTH Africa yesterday accused Swapo guerrillas of crossing into Namibia from bases in neighbouring Angola in violation of the UN plan for the territory's independence. The allegation, made in Pre-toria by Mr Pik Boths, the For-eign Minister, raised fears that elections beginning next Tues-day could be disrupted. Mr Botha said: "If this threat can-not be removed and these activities cannot be stopped, then free and fair elections cannot be held." In Windhoek, however, Swapo called the accusation "devoid of any thread of truth." Western diplomats expressed acepticism last

truth." Western diplomats expressed scepticism last night, ssying they had obtained no independent verifi-cation of Mr Botha's claims. The independence plan was jeopardised last April, when more than 200 guerrillas died in clashes with South African forces after an incursion into northers. Newther the crist northern Namibia. The crisis was defused only after Swapo, the nationalist party thought most likely to win next week's election, agreed to abide by the terms of the plan and retired down into Appela

deep into Angola. Mr Botha's allegation came less than a day after a UN Security Council resolution calling for all parties to comply with the indspendence plan singled out South African-backed paramilitary and com-mando units for criticism.

Under the plan, monitored by a 6,500-strong force of troops, police and civilians, South Africa agreed to allow independence elections in the territory in return for the phased withdrawal of some 50 000 Chipan troops in Apacla 50,000 Cuban troops in Angola, Speaking st a hastily sum-

moned press conference in Pre-toria, Mr Botha quoted exchanges between UN posts in Namibia which said that

"the situation is becoming crit-ical, repeat critical" as a result of the alleged incursion. Sonth African security forces had been put on the alert, said Mr Botha, and Pretoria had called on the Security Council to intervene.

to intervene. Unless South Africa was. assured that there would not be a recurrence of the April incursion, the Government reserved the right to take "the steps required." Mr Botha said his staff had intercepted UN messages referring to the infil-tration of more than 600 guer-rillas, and vehicle convoys, between October 23 and 31. He would not disclose how the messages had been intercepted.

would not discusse how the messages had been intercepted. As polling approaches, other political parties in Namibia have charged Swapo with tor-tura of opponents held in camps in Angola, and diverting funds intended for Namibian reference to the parts

tha: forces on alert

ings. The troop withdrawal is For its part Swapo has accused Pretoria of failing to disband units of Koeveet, the seen as a tentative step toward lifting martial law in Peking. Crossroads are now ungnarded but armed police will remain in the square and be able to counter-insurgency force noto-rious for its brutality. call on army units based around the city. By giving police wide rang-

### Japan agrees to ban all trade in elephant ivory

### By Michiyo Nakamoto in Tokyo

THE Japanese Government has banned all trade in African ele-phant ivory and in sait water crocodiles, in line with a decision adopted last month by an international conference on

endangered species. The move by Japan, which is the world's largest ivory consumer, importing about 40 per cent of the world's supply. comes after a conference of sig-natories of the Washington Convention of International Trade in Endangered Species of Wild Fauna and Flora (Cites) rejected the proposal of several southern African nations to maintain restricted trade and voted to prohibit all commer-cial trade in ivory. The Japanese Government had previously hoped that a total ban could be avoided. But it has bowed to international criticism and agreed to go along with the conference deci-sion, despite the difficulties that a total ban will mean for an estimated 30,000 employed in ivory manufacture and distribution. Ivory is used in Japan for traditional crafts and for accessories and is particu-

larly valued for use in personal Japan will, meanwhile, be host for the eighth Cites con-

National Peoples'. Congress, gives police a virtual veto on any street protest. The law says people cash meet, parade and demonstrate. ference in 1992. Reuter adds from Harars: Pres ident Robert Magabe of Zim-babwe, backing southern Ath-can states' defiance of the ban

bat only with police approval, and only if they do not offend a blanket set of taboos. on ivory trading, said yester-

Mr Roland Dumas, the French Foreign Minis-

in Sandi Arabia by a majority of Lebanese parliamentarians last month. Since the agreement was reached on October 22, Islamic Jhad has issued a spate of threats against the deputies as well as Mr Lakhdar Ibrahmi

By Lara Marlowe in West Beirut

THE assassination of a retired

THE assassmation of a refired Saudi embassy employee in West Beint yesterday further jeopardised a proposed presi-dential election have and increased fears that hostility between Iran and Saudi Arabia

will result in yet another proxy war on Lebanese tarritory. Mr Mohammed Marzougi. a

88-year-old Saudi citizen, was climbing into his car in the res-idential district of Tallet

Khayyat when three gunmen

shot him at close range. The assassination was claimed by

assassination was channed by "Islamic Jihad", a pro-Iranian-fundamentalist group which holds at least two of the eight American hostages in Leba-

Yesterday's murder was

interpreted partly as a manifes-tation of Iranian and Lebanese

Shia Moslem dissatisfaction

with the agreement endorsed

**Tough law** 

curb rallies

By Peter Ellingson in

JUST DAYS after removing troops from Tiananmen Square and strategic city over-passes, the Chinese Govern-ment has enacted a tough new law which gives authorities the right to ban demonstra-

tions it believes are a threat to social order or the interests of

Pekina

the state.

passed to

the Arab League's special envoy to Lebanon. The Iranian Government and Iran's Shia Moslem allies in Lebanon say they condemn the agreement because it leaves

By John Elliott in Hong Kong

MR Martin Lee, Hong Kong's leading liberal campaigner, last night refused to apologise to Peking for criticising the Chinese army's June crack-down on dissident students. He said he might face the risk of being arrested if he went to Chines.

China

France yesterday issued a veiled but forceful call for the departure of Syrian izoops from Lebanon, following up a statement on Tassday by the five permanent members of the United Nations Security Council urging all Lebanese to put into effect the agreement reached in Taif, Sandi Arabia, George Graham reports from agreement has been muted, largely because it fulled to settle the problem of Syria's presence.

> cause - but for entirely differcause - put for entrety differ-ent reasons - with Gen Michel. Aoun, the Lebanese Christian leader, in their attampts to pre-vent the holding of presidential elections by the November ? disadius deadline set by the Arab League

allow the election to be held while Syrian troops remain in Lebanon. The Taif agreement recognises the "security role" of 40,000 Syrian troops in Loba-

ness people, are one of the few groups in Lebanon without a militia to defend them. Many non for two years following the election and would then require them to withdraw only minitia to determ clean heaty Sunds maintain close ties with Saudi Arabia and fear that yes-terday's assassination of Mr Marzougi could be the prelude to attacks by pro-Iranian Shias

require them to within a wonly to the east of the country. Late on Tuesday night, Gen Aoun told Lebanese reporters that there would be "no ses-sion of parliament before Christian deputies return to consult with me. I will immedistely use my powers to dis-solve parliament before it goes ahead with the presidential

Gen Aoun is now isolated in the Christian camp, with vir-tually all other Christian milimany at other Unistant mil-tia, political and religious lead-ers saying that his dissolution of the parliament would be unconstitutional and disas-trons for Lebanon. Lebanese methods newspapers are calling this "the week of confrontation". The Sunni Moslems, for the most part middle class busi-

administer the payroli for the Lebanese staff. Islamic Jihad said Mr Mar-zonqi had been murdered in revenge for the beheading in Saudi Arabia of 16 Kuwaiti Shias accused of planting bombs in Mecca last July.

against Sumi interests. Saudi Arabia closed its Bel-rut Embassy in 1985 after pro-Iranían fundamentalists ran-

sacked the building and set fire. to it. When the Saudi staff were transferred to Damascus,

Mr Marzouqi, an accountant married to a Lebansse, chose to stay behind in Beirut to administer the payroil for the

Gen Aoun says he would not

Gandhi faces uphill struggle in Indian poll

MR Rajiv Gandhi, the Indian Prime Minister, and his Con-gress Party are in deep trouble as they go into the last weeks of an alection campaign against an apparently united opposition. India's leading opinion pollster said yesterday, Renter reports from New Delidi. Delhi.

Delhi. "The opposition has got its act. together; which is an incredibla surprise. It's still neck and neck, but only the opposition can improve its position," Mr Prannoy Roy.

said. "Rajiv is in deep trouble," he said in an interview as the two sides planged into campaign-ing for the November 22, 24 and 26 elections. He said deals by the nor-

He said deals by the hor-mally fragmented opposition to put up single candidates. against Congress in most of the 545 seats at stake had... given it some credibility. A. majority believed the opposi-tion could form a government and that a vote for themi would be wasted.

and that a vote for them would not be wasted. "But the polls also show that two-thirds believe they will fall apart eventually, and that is the opposition's biggest single . problem," he added. A sudden rise in food prices over the last few months and charges that officials took bribes in a \$1.3km arms deal could be critical fac-tors in deciding the result.

Arms deal could be critical fac-tors in deciding the result. Mr Gandhi has been haunted<sup>4</sup> for nearly two years by charges large bribes were paid by the Bofors company of Swe-den, Corruption is already a major issue in the urban cen-tres; one of the big questions in the election will be how deeply that issue penetrates the coun-tryside, where 80 per cent of Indians live.

Martin lee pictured at a press conference in Hong Kong yesterday

ernment an indirect, influence

on the drafting. Mr Lee, who was earlier accused of sedition by Peking, said that he had been advised he might face the risk of arrest if he told to enter Citize as he if he tried to enter China so he would consider carefully whether to go" at any time in the future. He and Mr Wah would not try uninvited to attend the Basic Law drafting sessions to be held in the southern Chinese city of Can-tini next month.



commis

recedes

In talks with Mr Nixon on Tuesday Deng Xiaoping, the paramount Chinese leader, blamed Washington for tha deterioration in ties, and said it was up to the US to take the initiative in restoring closer links.

While such construction is com-

wrong so there was nothing to apologise for. "This is the beginning of a crackdown to show people in Hong Kong that, they will not be forgiven for what they have done". He claimed that article 41 of

Sino-British agreement which covers the return of Hong Kong to Clinèse sovereignty in 1997. He said that after the June events he had suggested the UE should try to have the terms improved to strengthen protections for the colony. Mr. Lee rejected calls from He claimed that article 41 of the Chinese constitution gave citizens the right to make com-plaints about "any state organ or functionary for violation of the law or dereliction of duty". No-one could "retaliste" against citizens making such protections for the colony. Mr Lee rejected calls from local community leaders, which had been induced by Peking, to close down an organisation they lead called the Hongkong Alliance in Sup-post of Patriotic Democratic.

Mr Lee said they did not Mr Lee said that he think they had done anything had attempted to nullify the Movement in China, which was set up in June.

The refusal to apologise The refusal to apologise means that both he and Mr Szeto Wah, a teacher and fal-low leading liberal, will not be allowed to sit on the Paking-run drafting committee of the Basic law which will govern Hong Kong after 1997. As part of an attack on liber-als in Hong Kong, Paking.

The restrictions, designed to prevent a repeat of the democ-racy rallies that shock the racy rathes that apper the country earlier this year, require anyone wanting to take to the streets to have written permission from the police, who have been handed virtually unlimited authority to crush "unlawful" gather-

As part of an attack on inber-als in Hong Kong, Peking announced on Tuesday that the two were being barred from membership of the com-mittee "antil they abandon their antagonistic stand against the Chinese government and their attempt to mullify the Sinc British Joint Declaration

Sino-British Joint Declaration

on Hong Kong". Peking has an undisputed right, which Mr Lee accepts, to dismiss anyone from the com-mittee because the drawing up of the beak law is solely the responsibility of the Chinese

government. Peking chose 18 people from Hong Kong to sit slongside 33 nominees from the mainland on the committee and most of protest, the Government has reduced its dependence on the military and provided a legal basis for crushing dissent. Though promoted as a way of "protecting citizens' rights," legislation ensected on Tuesday by China's Parliament, the on the committee and most of them fall in with the Chinese government's views. The only constraint on Peking in the drafting of the Basic Law is that its clauses must imple-ment the Sino-British Joint Deflaration and because of this The British government has a direct, and the Hong Kong gov-

the former US president, pre-dicted last night.

diplomats said were the blunt-est they had heard for a long

time on such a formal occa-

the presidency of Lebenon in the hands of the Maronite Christians and gives more power to Sunni Moslems who are favoured by Saudi Arabia. While Saudi Arabia sponsored

HK liberal refuses to apologise to Peking

the three week meeting which led to the accord in Taif, the

Iranian Government invited Lebanese Moslem opponents of the Arab League peace plan to

Ironically, pro-Iranian

to kill elephants and sell their ivory. Zimbabwe could carry

maximum population of some 50,000 elephants, he said. 'Our view is that if they exceed that number then they become a danger to the environment.

"Certainly in those circum-stances we are entitled to do some culling." Mr Mugabe told the annual general meeting of tha Zimbabwa National Conservation Trust. Zimbabwe and other

southern African states have decided to defy ban, saying they need to cull elephants to stabilise thriving herds at sus-tainable numbers, and that ivory sales help pay for conser-vation and anti-poaching pro-

According to Xinhua, the offi-cial news agency, protests will not be permitted if they infringe on China's "reunifica-tion, sovereignty, or territorial integrity, or incite national separatism, or threaten seca-tive or codel coder "

ing new powers over public protest, the Government has

separatism, or threaten seca-rity or social order." Protests are also not allowed to go against the principles of China's constitution, even though that document guaran-tees right of expression. Gov-erament employees, who were a prominent employees, who were a prominent employees, who were the party during rallies in May, are prohibited from joing protests if such action "con-flicts with their terms of employment."

Speaking in Peking at a ban-quet given by President Yang Shangkun as part of an unoffi-cial visit at the invitation of the Chinese government Mr nicts with their terms of employment." The NPC claims the new laws will safeguard public order and stability.

Nixon takes the long view on China links By Peter Ellingsen in Peking

SINO-US relations would never be smooth, but despite friction caused by US reaction to June's Peking massacre, they will endure, Mr Richard Nixon,

Nixon made it clear that deep ideological diffsrences separated Washington and Peking. "China's leaders now appear to claim that how they rule their country internativy is no one else's business. Most Americans deeply believe, how-ever, that international stan-dards exist to guide the con-duct of leaders surywhere. The age-old clash of ideas that now divides our nations is clearly the assertion of sovereignty of the state versus the universal rights of man". Mr Nixon's cantious opti-mism, however, was tempered by comments which Western the assertion of sovereignty of the state versus the universal rights of man". Were martial law and politi-cal repression permanent fea-

links, he said. Mr Nixon, who ended hostil-ity between the two powers by

#### recognising China in 1972, said even though US sanctions had Seoul opens revived "hitter personal memo-rica" among China's leaders, producing a cold war-like disrelations trust of the US, he was confi-that both sides would remain with Warsaw friends "as the bitternesa of the last few months By Maggle Ford in Seoul

POLAND yesterday becams the second eastern European country to establish diplomatic relations with South Korea, the formerly anti-communist coun-try which is boosting ties with its former ensuries

try which is boosting ties with its former enemies. Mr Jan Majewski, the Polish Vice Foreign Minister, signed the diplomatic protocol yester-day, along with a trade and investment treaty under which Poland will receive \$50m over the next five years

Poland will receive \$50m over the next five years. In Peking the North Korean embassy said yesterday it was "extremely displeased", but so far Pyongyang is not known to have taken any retailstory measures. Aftar Seoul exchanged ambassadors with Hungary last year, North Korea reacted angrily, with-drawing its envoy and replao-ing him with a chargé d'affairs. The recognition comes as a result of Seoul's policy of Nord-politik under which it is seek-ing ties with Eastern bloc conntries. The policy is designed to improve both polit-ical and economic links, espe-cially with the Soviet Union and China, in the hope of draw-ing isolationist North Korea into a more conciliatory mood. Trade is increasing quickly,

Trade is increasing quickly, reaching \$3.1bn with China last year and \$500m with East-ern Europe and the Soviet Union. An electronics company has been established in Humgary and a fur processing and sales operation started in Moscow.

### UN quickly passes Afghan resolution

IN SHARP contrast to the long and acrimonious debates that marked UN consideration of the Afghanistan question dur-ing the Soviet occupation, the General Assembly took only minutes yesterday to adopt a resolution calling for an end to hostilities and a comprehenhostilities and a comprehen-sive settlement, Michael Little-johns, Our UN Correspondent

reports. The text was worked out in New York last month by Mr Eduard Shevardnadze, Soviet Foreign Minister, and Mr Yaqub Khan, his Pakistani counterpart.

Vietnam puts its house in order - and awaits first visitors Reforms touch most lives now, but the chief hope rests with foreign funds, writes Alysoun Coles recently in Hanoi Another big problem is the infra-structure, more so in Hanoi which, milke Ho Chi Minh City (formerly Seigon) does not enjoy the legacy of US wartime construction. Much more money is needed to tackle problems such as housing and water supply, according to Dr Vien. Drinking water is supplied to the population of Hanoi through the sys-tem the French left behind. But that was built to serve 100,000 peo-ple - the 1985 population - and now a million people rely on it. The housing shortage is serious, it being common for whole families to live in two rooms. Families are encouraged to extend their homes themselves, so brickworks now liber-ally dat the landscape and in many country areas people have built their own kilns. Up to 20 per cent of brick production is thought to be privately owned.

W ITH ITS troops ont of neighbouring Cambodia, Vietnam is optimistic that the way is now open to Western investment to fuel its economic metorms. Vietnam's perestruka - doi muoi, as it is known - is already making an enormous impact on the economy and on the day-to-day lives of its people, but much hope rests on the boost it would get from Western capital

Official enthusiasm to draw in Western technology and experience, not to mention investment, is expressed in the Law on Trade and Foreign Investment passed last year, generally regarded as the most liberal in Asia.

Senior economic adviser to the Government Dr Nguyen Xuan Oanh at a meeting in London last summer spelt out the three main routes to investment detailed in the Investment Code: contractual business cooperation, such as production shar-ing management participation; joint ventures with Vietnamese economic organisations; and ventures wholly-owned and operated by foreign investors. The code contains guaran-tees against nationalisation for the duration of the contract and allows liberal repatriation of profits. Alongside efforts to bring large-

scale foreign investment from capitalist countries to Vietnam, doi muoi also encourages domestic private enterprise.

The aim is to attract savings into the economy, explains Dr Le Van Vien, director of external relations of Hanoi council. snd chairman of Hanol Conversity's economic and political department. Instead of sav-ing their money as they wait for prices to fall, people can open their own small businesses and keep the profit, which they will be able to



Watchful: a shop window in the Chinese quarter of Ho Chi Minh City reflects the new Vietnam

re-invest or spend on the increasing

re-invest or spend on the increasing number of consumer goods. Already there are 26 private busi-nesses in Hanoi and 50 projects with foreign investment. The pace of development was illustrated by one foreign journalist looking for his favourite restaurant in the Chinese quarter: "I couldn't find it," he complained as at last he settled down in his seat. "This was the only restau-rant in the street two weeks ago, and now it's buried among all these new shops.

One Hanci worker with a smallholding 16km outside the city centre explains the difference doi muoi has

made to his family: "Before, when our pig was ready for market, we had to sell it to the state shop. But sometimes the shop had fulfilled its quota for that month so then we had to wait until it wanted ours, even if we needed the money. At other times the shop wanted the meat but farmers would not sell because they armers would not sell because they were waiting for the price to go up. Now we can take the pig to the mar-ket ourselves whenever we like and sell it for the going rate." Of course this has pushed many prices down but it has provided plenty of much needed food, and given the pessent formers the incen-

given the peasant farmers the incen-

Institute in Hanoi says: "We tried to go too fast and leapfrog over the capitalist stage of development

gold soaring. Now, the opening of

straight into a socialist economy." In 1976 Vietnam had 90,000ha of coffee plantation, all in the hands of the state. By last year the figure had grown to 190,000ha, of which only

grown to 190,000na, or which only about 15,000ha is government owned. One of the most common causes of blocked money supply was the num-ber of people who bought gold as a safe investment instead of spending their cash, sending the local price of

in the second 12 per cent; in the second half it was 10 per cent; in the first quarter of this year it was down to 7 per cent a month, and failing. Mr Doanh says food prices in Hanoi fell 6 per cent in May. Over the last two months the price of rice has failen from 640 dong a kilogram to 550 dong, and some provinces have begun exporting rice. In the first six months of this year 120,000 tonnes of rice were sold abroad, mainly to Singapore and Hong Kong where Vietnam is undercutting failting

where Vietnam is undercutting

While such construction is com-monplace in rural areas, with a pile of bricks and cement outside every : other house and plenty of new homes with dates emblazoned on the stonework, there is not the space for significant extensions in the cities. Despite the ubiquitous home-building projects, peopls's private houses are not constructed to a high enough standard to be regarded as much more than a temporary mea-sure, according to Dr Vien. More hig housing projects like the one in Hanol's suburbs are advo-cated but, like everything else, the construction programme is limited. There is still some discussion within official circles over the pre-cise way forward, but the propo-hents of *doi muoi* are undoubtedly in the ascendancy. All Vietnamese eyes are new on whether the Weet emb where vietnam is understanding "The inflation rate is a good achievement," says Mr Doanh, "but reducing the budget deficit is our next task. And I think the tax sys-tem needs overheading to keep pace with the economic development." the ascendancy. All Vietnamese eyes are now on whether the West will respond positively to the withdrawal from Cambodia.

savings accounts with high interest rates at the state bank draws in pri-

vate cash. Stabilisation of the gold price has been matched by the effective aboli-tion of the black market and what

non of the black market and what looks like a firm grip on the coun-try's previously raging inflation. Unlike many socialist countries which fix exchange rates to prevent currency devastation. Vietnam took the bold decision in 1979 to float the dong, and introduced the black mark-thet rate as the official one The dis-

ket rate as the official one. The dis-crepancy was so severe that new money had to be printed. But in three weeks of travelling across the

country I found not one person ask-ing to exchange my dollars. With the stabilisation of the dong,

the state bank is offering interest rates to savers above the average profit rate. This has served to help

put the brakes on inflation. In 1968 inflation was running at an annual 440 per cent. In the first guarter, it was 17 per cent a month,

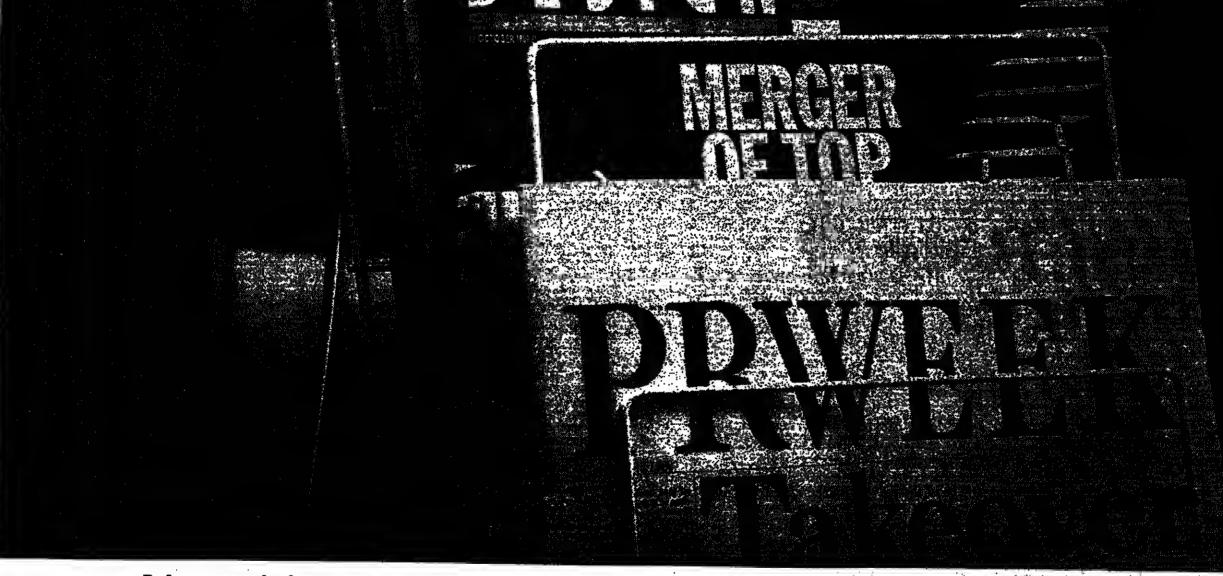
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### **WORLD TRADE NEWS**

### Japanese embarrassed as more Y1 bids surface

#### By Robert Thomson in Tokyo

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THE Japanese Government's embarrassmeot ovar the Fujitsu computer company winning a systems design contract with a bid of only Y1 (less than a penny) was com-pounded yesterday when the company admitted to two more Y1 bids and NEC, another technology company, publicly apol-ogised for two similar bids.

Japan has been condemned by the US and other foreign governments for allowing arti-ficially low bids for public contracts, so the confessions yesterday by the two companies will provide evidence for US officials negotiating the removal of barriers to trade and competition.

Both Fujitsu and NEC bid Y1 for a systems design contract for a prefectural library in Nagano, west of Tokyo, and Fujitsu won the contract in a lottery run by local govern-ment officials, who had speci-fied that the bidders should have experience in other pre-fectural library systems.

Specifications for contracts are also a source of irritation to US trade officials, who believe that foreign companies are unfairly treated.

The Ministry of International Trade and Industry (Miti) con-demned the bids for a lack of

**India plans** 

new aircraft

e next five years at a cost

The carrier's managing

director, Mr R. Prasad, has announced that the main air-

craft being considered for induction into its fleet are the

McDonnell Douglas MD-91, Boeing 737-800, Boeing 737-300

and 300X, British Aerospace's

BA-146, Hawker Siddley's Fok-ker-100, Airbus A-300 and Air-

Indian Airlines' present fleet is made up mostly of Boeing 737s and various series of Air-bus aircraft and so these have

a head start over their rivals.

The airline is also consider-ing buying Russian aircraft.

ad said Indian Airlines will not seek financial. support from the Government

to buy 33

By K.K. Sharma in New Delhi

INDIAN Airlines,

of Rs2.5bn.(£96m).

"business ethics", and warned the two companies and other compoter makers, some of whom have also made very low bids, to "refrain from these practices of excessive competition"

Mr Takuma Yamamoto, president of Fujitsu, apologised for adding "stress" to Japan's

### Fuitsu salesmen calculated that the bids were profitable as the company could win

more lucrative contracts

trade relations with the Y1 bids, bot argued that "hard competition is a part of the free market" and that the tactic was used to "gain influence in a new marks

He said that Fujitsu execu-tives were unaware of the low bids, but have to take responsi-bility for not "guiding" local

The salesman had calculated that the Y1 bids were profit-able, as the company could win later, more lucrative contracts, Mr Yamamoto said, but "it is a very thoughtless thing, and we apologise for causing trouble\*. Japan's Fair Trade Commis-

sion (FTC) was already investi-gating whether a Y1 bid for a systems contract for the Hiroshima government was improperly low under auti-mo-

nopoly laws. The commission has appar ently broadened the investiga-tion to cover the newly-uncovered cases Fujitsu has attempted to

Fujitsu has attempted to withdraw the Hiroshima bid, but city officials insist that the company stick to the contract. NEC issued a statement expressing "great regret" for its Y1 bids, which it character-ised as "socially unacceptable". A company official said that other contract bids are being A company official said that other contract bids are being investigated for unreasonable offers, and yesterday evening the company announced that it had bid YI for a systems feast, bility study for the Wakayama government, on the main island of Honshu. Fujitsu also hid YI for the same contract. Each of the contracts Each of the contracts was worth many millions of yen, with the Hiroshima govern-

ment estimating the cost of its system design at Y11m. Fujitsu has argued that it is no different from other com-puter companies bidding at a

fraction of cost for contracts, though the Y1 bids have drawn attention to the practice.

Tokyo By Peter Montagnon, World Trade Editor A furious argument has broken out between British construction companies and the Foreign Office over its

embassy in

refusal to reserve for them a

remsal to reserve for them a-management contracting, role in the project to redevelop the British embassy in Tokyo. The row, which developed after the Foreign Office insisted that Japanese compa-nies should be invited to ten-der direct for the project, has led to accusations from the industry that the Foreign industry that the Foreign Office was taking an "unbe-lievably cavalier approach" to spending taxpayers' money "by effectively dealing with a funder when the " foreign price ring," The accusation was con-tained in a letter from Mr Wal-ter Hogbin, Chairman of Tay-lor Woodrow International, to Low Woodrow International, to

Lord Brabazon of Tara, Minis-ter of State at the Foreign Office. Their exchange of letters, in which Mr Hoghin describes the idea of free com-petition in the Japanese con-struction market as "a sick joke", was made public yester-day by the Export Group for the Constructional Industries (ECGI) of which Mr Hogbin is

Deciding when it's safe to sell UK row over work on

William Dawkins and David Goodhart on strains within CoCom

THE UGLY anonymity of an office block in Rus La Boëtie, just north of the Champs Elysée in Paris, will, over the next few months, conceal some feverish activity. The building is the US embassy annexe that houses the staff of CoCom, the secre-tive organisation of 17 democratic governments devoted to stopping sales to communist countries of technology which might have a military use. The task is to avert what some warn might become one of the most serious crises faced by the Co-ordinating Committee on Multilateral Export Controls in its 40-year life. The CoCom staff's political masters have just emerged from their annual meeting at which they failed to resolve several big dif-

The organisation, which Atlantic Treaty Organisation, which Atlantic Treaty Organisation (minus Iceland), pius Japan and Australia was formed in 1949 at the start of the Cold War, and to its European members' regret has not yet adapted its adversarial mentality to today's more open politi-cal conditions. It is now wrestiling with a sensitive internal debabs over how to react to the extraordinary political reforms taking place in the Kastern hloc.

Linked to this is the specific question of far and how fast to The Export Group maintains that an extensive inquiry that it conducted earlier this year reduce its list of several thousand strategic products, from lasers to robots, banned for export to the communist It construction opportuni-into construction opportuni-ties in Japan revealed that one of the only ways for British companies to gain any tochold was to be employed as man-agement contractors for Brit-ish projects in that country. world. CoCom's western Euro-pean members fear the list is pean memoers near the list is out of date, that parts of it are futile because they include items that communist coun-tries can in any case make for themselves, and that US indus-try is resisting change to pro-tect itself from international ish projects in that country. This opportunity is now being denied to the industry by the British Government itself at whose behest the mar-ket study was undertaken, the ECGI says. In his letter to Mr Hogbin, Lord Brabazon, says the furthest the Foreign Office can go would be to encourage British companies to register for the project. petition.

A number of western Eurogermany, France and Italy, want to extend to Hungary and Poland the lighter CoCom treatment accorded to China in 1985, in recognition of the dem-"I do not believe that we should go as far as to exclude ocratic progress made by the two Eastern bloc countries. the Japanese contractors from tradering direct. That would deny us an important element of competition, and blatant They also want to drop from the list very high tolerance machine tools, a product where European producers - espe-cially West Germans - have a discrimination in this way distinct edge over the US in-world markets.

Washington, has reacted.

in his reply Mr Hoghin says. In his reply Mr Hoghin says this is unacceptable. He refutes a Foreign Office claim that the use of British com-pany contractors would make the project more expensive.

Demand rises for



Bartholomew: safety first

coolly to this challenge to its traditional leadership in CoCom it agrees with the need for so-called "streamlining" of the CoCom list, as do all mem-bers, but argues this can only happen when the enforciment of CoCom's export rules has first been tonghened, and all agree that CoCom should build bighter fources expond famor higher fences around fewer products, to use the organisa-

iton's own jargon. The problem is that the Europeans, keen to sell into the Eastern bloc's juge mar-ket, appear to believe in liber-alisation first and fence-build-

ented a paper to CoCom plead-ing for "Chinese" treatment and saying they are prepared to accept unamounced inspec-tion of sensitive equipment by CoCom afficials to ensure it is not being used for military purposes. The West Germans are pressing for relaxation in the case of gunnhely private companies in Hungary and stress that Western companies going into Hungary or Poland will only do so, at least in some sectors, if they can use state of the art equipment." The West Germans have also begun to timesten, not for the first time, that they will be unable to deliver continuing political support for CoCom unless the US (and in particu-lar the Pentagon) starts to bend. The recent announce-ment by Mr Wolfgang Roth, the opposition Social Demo-crats economics spekesman, alisation first and fence-build-ing second, while the US wants a strictly "purallel" approach. All this may have brought CoCom, whose decisions must be unanimous, near deadlock - as far as it is possible to gather from the vague lars-guage officials use to discuss its affairs. crats economics spokesman, that CoCom's industrial list of

Mr Reginald Bartholomew, chal-use products should now be abolianed, has given some 'credibility to that claim. CoCom members have given themselves until its next bicklosed until its next the US undersecretary of state. for security assistance, science and technology, who charred the session, maintained that it provided solid support for CoCom's general work and, streased that the US only wanted to use the organisation for strategic, not trade, protechigh-level meeting in July to sort out the following issues: Enforcement. All agree that CoCom members need to observe common basic stan-

tion. West German officials in Paris were less sanguine but salvage some small signs of progress from the meeting. The US, they said, had admitted for the first time that progress in implementing the policy of higher fences around fewer products had been unsatisfac-torily slow. And the meeting had taken the first step observe common basic stan-dards of enforcement, includ-ing sanctions against those who cheat, by 1991. For this is the only way that the body can fulfil its aim of abalishing the internal controls on strategic trade between its own mem-bers; as well as between the CoCom and communist trade areas. had taken the first step towards considering special account for about 90 per cent of all trade vetted under under ant for Hungary and treatm Potand CoCom mies and are needed to

keep track of goods that might The Hungarians have pres-

CoCom's task is to avert what some warp might become one of the most serious crises it has had to face in its 40-year history ... to the regret of its European members it has not yet adapted its adversarial mentality towards the political change taking place in Eastern Europe

be exported out of a security conscious country such as the US to a less tightly-controlled one such as Greece or Italy, for illicit onshipment to the Eastern bloc. However, CoCom's 11 Euro-

However, cocon's in Entry-pean Community mem-bers – all but neutral Ireland – will in theory be unable to run internal border checks after 1992, by when they aim to have scrapped all frontier con-trols between EC members. Hence the need for an external CoCom fence effective enough to satisfy Washington's ever-pressing security worries. • Streamlining. The dis-

agreement over machine tool exports is just one of a long list of controlled goods which the West Germans and others want to liberalise, from Airbuses to 32-bit microcomputers. They find the US caution on machine tools hard to accept in view of Washington's support of a ruling last July to lift con-trols on the export of 16-bit microcomputers, a product where it is more competitive than the Europeans than the Europeans.

The decision was criticised by the Pentagon for going too far and by the Europeans and Japanese for not going far enough, yet the fact remains that IBM's AT range and its clones will be the main beneficiaries.

US officials meanwhile believe West Germany has believe west Germany has inadequate proof for its claim that the East bloc military capacity will not be greatly helped by being able to buy Western machine tools with a slide position accuracy of plus or minus two microns. A CoCom machine tool working group will meet again before the end of the year to try to settle this sensitive question.

• Political change. Wash ington believes any special treatment for Hungary, Poland or anyone else, must come after real progress on improving the enforcement of controls on CoCom members' external borders. Agreement on the gen eral point is not enough; the 'US wants real evidence that tougher controls are being implemented. This is exactly the same kind of argument that divides EC member states when discussing the control of international crime in the absence of internal Community frontier controls. As such it presents the same political dif-ficulties for CoCom.

### S Korea seeks more foreign investment

### By Maggie Ford in Seoul

SOUTH KOREA is to make greater efforts to attract for-eign investment in high tech-nology so as to make a quick government-owned carrier that operates domestic routes and those to neighbouring coun-tries, is to buy 33 new aircraft jump into advanced industries, Dr Han Seung Soo, the Minis-ter of Trade and Industry, said vesterday.

His remarks followed the announcement that Samsung Electronics, the country's larg-est electronics company, had started production of the 4 megabit Dram semiconductor chip, initially the company will market 100,000 of the chips a month, increasing output to im a month next year. Sam-sung developed the chip largely from its own resources last year

Dr Han said that although the South Korean Government and industry was planning to spend substantial sums on research and development, it would take time to establish

the engineering and scientific expertise needed to compete in the global market. nint high technology fields would be increasingly welcomed, he said, reversing a policy of borrowing on the capital markets, licensing technology and build-ing its own facilities. Seoul will become a net cred-itor later this year, four years after recording a foreign debt level of \$46bn, the fourth larg-est in the developing world. Foreign investment over the last 25 years totals only \$65bn. \$6.5bn. Dr Han said that Seoul was taking strong steps to enforce discontent

intellectual property rights, with the appointment of 900 investigators at the prosecu-tor's office and the establish ment of an inter-ministerial task force to eradicate piracy. Protection, of intellectual property is the main area of dispute between South Korea and the European Community, which withdrew Seoul's privi-leges under the Generalised

System of Preferences two years ago in protest. It remains a strong disincentive to invest-ments in South Korea. Dr Han said that a law

passed by the previous govern-ment giving retroactive protec-tion to US intellectual property could not be extended to the EC because the new democratically elected National Assem-bly would not agree to it. But he said the existing law pro-

vided good protection. The minister said Seonl's policy of opening its markets would continue and pointed to

a rise of 20 per cent in imports

# 19-12

SOME WILL ACCEPT WOOLLY REPORTING

These internal checks

for the purchase. The airline earns considerable foreign exchange from tourists. It also plans to raise funds from international capital markets. Mr Prasad also announced

that a modern jet engine over-haul shop for the Airbus A320's V-2500 engine would be commissioned at New Delhi's Indira Gandhi Airport, and would be the second of its kind in the world. He also said the airline was hiring more pilots to meet the current manpower shortage it was facing.

per cent increase in exports. After the recent finding by a panel of the General Agree-ment on Tariffs and Trade, agricultural imports will be fully liberalised over eight

But the minister expressed concerns about profit margins of more than 100 per cent for high priced luxury imports, such as foreign cars, which he said were excessive. This was widening the gap between rich and poor and creating social decontent

textiles

for the project

### By Alice Rawsthorn THE international textile

industry experienced a healthy increase in demand in the second quarter of this year, although some sectors of weaving faced competitive conditions. Last year the European tex-

tile companies came under intense pressure when the weakness of the US dollar provoked a sharp surge in imports from the Far East and made it more difficult for European companies to export to North America. The latest statistics from the

International Textile Manufac-turers Federation in Zurich show that the balance of world trade has stabilised, as the dol-lar has strengthened and the European currencies become more competitive.

Spinning production mercased in most countries in the second quarter compared with the same period last year. The spinning industries in Taiven and Pakistan experi-enced significant increases in output, as did the US where

output, as did the US where spinning production rose by 10 per cent. The spinning compa-nies also succeeded in reduc-ing stock levels. The increase in demand has enabled many of the European industries to clear the surplus stocks which built up last year. The spinning sectors in France, Spain and Switzerland reduced their stocks by more than 10 per cent.

than 10 per cent. By contrast the weaving industry was fairly static. Most countries managed to maintain fabric production levels in the second quarter. Spain and Taiwan experienced substantial increases, while the industries in the US and Switzerland saw output fail. The companies in the weaving sector also managed to stocks. There were substantial inventory reductions in Austria and Switzerland. Howaver, fabric stocks increased by more than 30 per cent in both South Korea and the UK.

At present the textile trade, one of the world's largest trading sectors, is experiencing uncertainty in the approach to the re-negotiations of the Multifibre Arrangement, the bilat-eral agreement which has regulated the world trade since the early 1970s. The MFA is expected to be phased out after the current arrangement comes to an end in two years.



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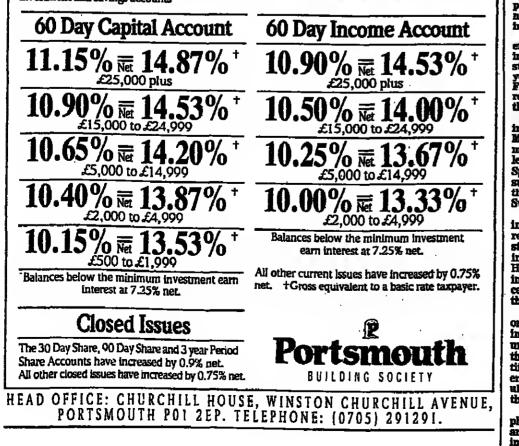
Changes

**Interest Rate** 

Portsmouth Building Society hereby gives notice that for prospective borrowers the Society's base mortgage rate increased by 1% from 20th October 1989.

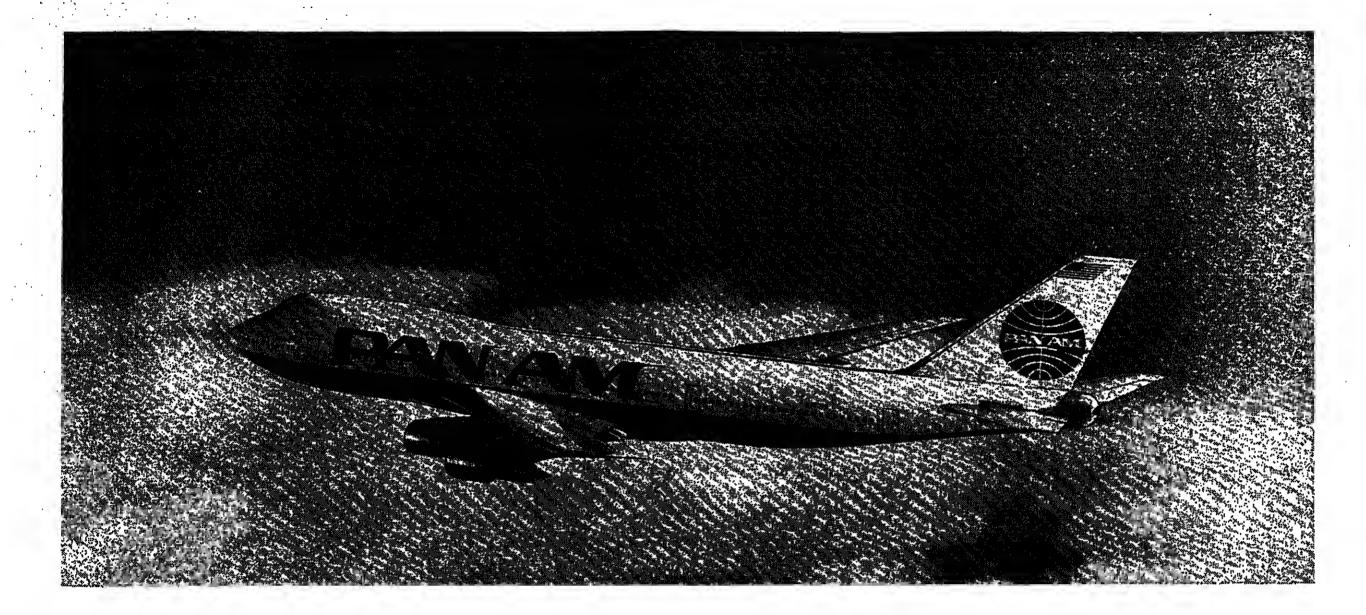
For existing borrowers, where a mortgage deed specifies a period of notice before an increase in the interest rate applicable to it is effective, such period will commence on 1st November 1989. We will have written to you already with regard to your new monthly payment.

Notice is also given that as from the 1st November 1989 the following rates of interest will be paid on investment and savings accounts



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## PAN AVI

### NUMBER ONE ACROSS THE ATLANTIC

### **UK NEWS**

### Army 'preparing |Strikes put a spanner in the booming airline works to intervene in

was a 30 per cent share of the

world market. The company is bracing itself for an intensification of the competitive battle against its US rivals - Pratt and Whitney and General Electric - to power a new generation of more powerful twin-engined wide-bodied jets.

Airline companies attending the annual meeting of the International Air Transport Association in Warsaw this week expressed concern at the sudden surge of industrial unrest in the aerospace indus-

The strikes at Boeing and The strikes at Boeing and the labour upheavals at BAe and Rolls-Royce did not suprise them since they had expected unions to take advantage of the industry's boom to claim better working conditions and pay. However, they warned that the strikes were hitting the industry just as the airline business was reaching a cross-roads, with signs of a slow-down in the growth of passen-ger traffic.

ger traffic. US airline profits are already under pressure and the sco-nomic slowdown in the UK and Europe could hurt airline earn-ings. This could in turn affect. airline purchasing programmes.

Airline and aerospace comharmine and activities attending the IATA meeting sought to con-vey a relatively relaxed atti-tude to the strikes. However, they conceded reluctantly that

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A spate of labour unrest is spreading concern in the industry, write Paul Betts and Charles Leadbeater NDUSTRIAL disputes at stake. Chester's components three of the world'e leading are sent to Filton in the

aerospace companies of an industry working full stretch to meet bulging orderbooks.

Boeing, the world's largest airliner manufacturer, this week warned that a three-week lance dispute as early as the end of this week, according to secret documents handed in anonymously to a Midlands ambulance station and passed The Ministry of Defence said strike over pay by 57,000 machinists would seriously hurt fourth quarter sales and profits. to Nupe, the leading ambu-lance workers' union. Nupe said that all references confirmed that it had warned

That admission will have brought little solace to British Aerospace or Rolls-Royce, the aero engine manufacturer. Both face strikes by manual of the engineering unions' campaign for a shorter work-ing week. The strikes could quickly disrupt the two compa-nies' highly integrated manu-

nies' highly integrated mana-facturing systems. The disputes are spreading ripples of apprehension through the industry. Sir Colin Marshall, British Airways chief executive, has confirmed that deliveries of Boeing 747-400 Jumbos and Boeing 767 twin-engined jets were running late and risked disrupting the air-line'e plans to expand north Atlantic and Far East services

next year. The strike by 2,000 workers at British Aerospace'e Chester civil aircraft plant is also beginning to worry Airbus Industrie, the European air-craft manufacturing consor-

The north of England plant makes wing skins and wing spars and ribs for Airbus, in which BAe has a 20 per cent

are sent to Filton in the sonth-west for final wing assembly, or flown to Hamburg. in Germany. in Germany. Mr Jean Pierson, Airbus chief executive, admitted that a strike at Chester might even-tually affect Airbus produc-tion, but said it was unlikely immediately to affect deliv-

eries. Airbus, which has an order backlog of about 700 atr-craft, assembles 11 aircraft a month The strike comes at a deli-

cate time for the Chester plant which also makes the BAe 125 business let. Civil aircraft pro-duction is likely to become increasingly important to BAe as military orders decline. Its commercial aircraft division was on track to make its first was on track to make its inst profit this year. In the first hall, it made 55m on turnover of £550m. A long strike could set profits back for the full

The dispute may also cast a shadow over the recently launched BAe 125-1000. This aircraft's capacity for transat-lantic flight was intended to boost US sales.

The company's other strike-hit plant at Preston, north west England, also makes Airbus parts as well as parts for McDonnell Douglas and Boe-ing its older wile though is the ing. Its chief role, though, is in military alroraft production and it is the main machining cantre for components of the Tornado, Hawk and Harrier

fighter aircraft. The company is confident the strikes will have little impact on its trading perfor-Bristol assembly plants.



Grounded: British Aerospace workers picket the company's Preston plant in north-west England

mance this year. It says it has components stockpiles to sus-tain normal production until was fally stretched to meet its age Rolls-Royce's international production deadlines on an order-book which has risen to sign this year from sibn two

Christmas, Rolls-Royce, which has much lower stocks, is probably more vulnerable. The stoppage at its Hillington plant near Gaegow, years ago. The Hillington strike could knock it off COULSE The strikes are unlikely to lead to heavy financial penal-ties for late delivery of aircraft or engines since labour diswhich makes engine compres-sor blades, rings, seals and cas-ings could quickly affect pro-duction at its main Derby and

tes are considered as a force **D**b majeure, clearing manufactur-ers of financial liabilities. Yet delayed deliveries could dam-After an overtime ban at Derby last year, the company

Rolls-Royce has made increasing incodes in the world acro engine market. It equips all three main civil\_aircraft mannfacturers - Boeing, McDonnell Douglas and Air-bus - and its share of the civil

bility.

CTE

engine market has grown from only 8 per cent two years ago to 20 per cent this year. Mr Frank Turner, head of clouds on the industry'e hori-Rolls-Royce's civil engine busi-zon were the disputes to drag ness, said the company's target

Output slows as the Boeing production line hits turbulence

value of the oil produced, to 51p a barrel at the Ness field, a all sub-sea satellite to the much larger Beryl field. The most expensive fields to

operate were smaller fields where production was declin-ing or fields that were shut in or facing reduced production due to maintenance problems or accidents.

The cheapest fields tend to be very large ones or small sub-sea satellite fields that rely The increased production sub-sea satellite fields that rely cost has cut profit margins for on nearby platforms for oil proressing. Production this year is esti-

mated to average 1.95m b/d.

By Roderick Oram in New York BOKING has delivered 15 airliners

since 57,000 production and mainta-nance workers went on strike four weeks ago - more than many observ-ers thought possible. The aircraft have been completed by supervisors and managers retrained and recartified before the

strike began to perform their old pro-duction line jobs. But Boeing is failing well behind its ambitious production schedules which called for completion of an sir-

been putting the finishing touches to some 40 aircraft which were in advanced stages of construction when

the strike began. The management and union have returned to the bargaining table to ment and union have. try again to thrash out a new threa-year contract, but both sides are ref-using to move, at least in public, from the stands which triggered the strike.

Boeing says it will only negotiate within the framework of its final offer of wage increases totalling 10 per cent over the life of the contract, some reduction in mandatory over-time hours and improvements in

fringe benefits. The machinists argue that homeses leave them leas well off in the long

term than wage increases. They also argue that Boeing can afford to grant them a more incrative package and cut their long shifts. Many machin-ists have worked 12 hours a day, seven days a week, three or four incle on and then early have weeks on end since early last year. Analysis say that if the strike lasts

more than two months, the impact on Boeing and its customers will rapidly intensity. The company will never make up the lost time, say the ana-lysis, because its lead times are so

equivalent to the stoppage liself to refill the production line and get deliveries back to one a day. So far the strike's disruption to ak-lines has been minimal, at least for larger carriers who have some fierd-bility with the actional for field and bility with their extensive fleets and schedules. Some will be denied the, benefit of more efficient aircraft and extra capacity but the financial impact should be relatively minor in

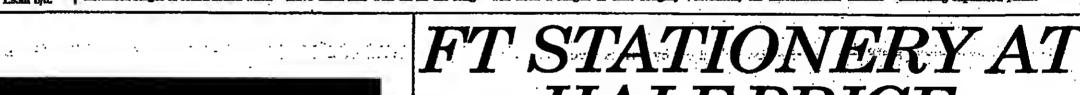
the short term. Smaller carriers are suffering iong and its production facilities and component suppliers to stretched. Since Boeing has completed so many sircraft during the strike, it will need a length of time roughly.

industry consultant, said the short-age of new machines was starting "to stimulate the market for used aircraft, particularly bigger ones."

Atrines fear that the current strike is only the beginning of Boeing's labour proble

<sup>3</sup> The contracts of 30,000 members of the Seattle Professional Engineers Employees Association expire on

A strike by them would hamper design and development work of important new Boeing models such as the 747-400 freighter and the 767-X airliner, forcing airlines to start



Army, the Royal Navy, the RAF, the Parachute Regiment and the Royal Engineers. The document, sent last Sun-day October 29, said that from Subservices were to be put on standby to begin the The military keeps about 1,000 ambulances at denots 1,000 ambulances at depots across Britain crewed by mem-bers of the Royal Army Medi-cal Corps. The plan, Nnpe said, involved a day of planning and do all non urgent work.

### North Sea oil production costs rise as output drops

ambulance row'

THE Ministry of Defence has preparation; a day of "marry-

set in train preparations for ing-up" (assembling personnel troops to step into the ambu- and vehicles in groups); fol-

to the originator of the 1½-page document had been removed, but that by its con-tents it was clearly a general circular sent by the Ministry of Selves for any request we

Army, the Royal Navy, the RAF. the Parachute Regiment and the Royal Sngineers. Bail last night the Ministry of Series to the might get from the Department The Department of Health said last night the Ministry of

By Flona Thompson, Labour Staff

### **By Steven Butler**

THE COST of producing an average barrel of oil in the North Sea rose significantly this year as production fell, while fixed costs remained high, according to a report by County NatWest WoodMac, the

UK broking company. The rise reversed a four-year trend which saw the average cost of production fall from £2.50 a barrel in January 1986 to £2.08 a barrel. This has now risen to an estimated £2.55 for this year. This compares to an average oil price of about £10.82 a barrel, although a substantial margin is needed to cover the capital investments

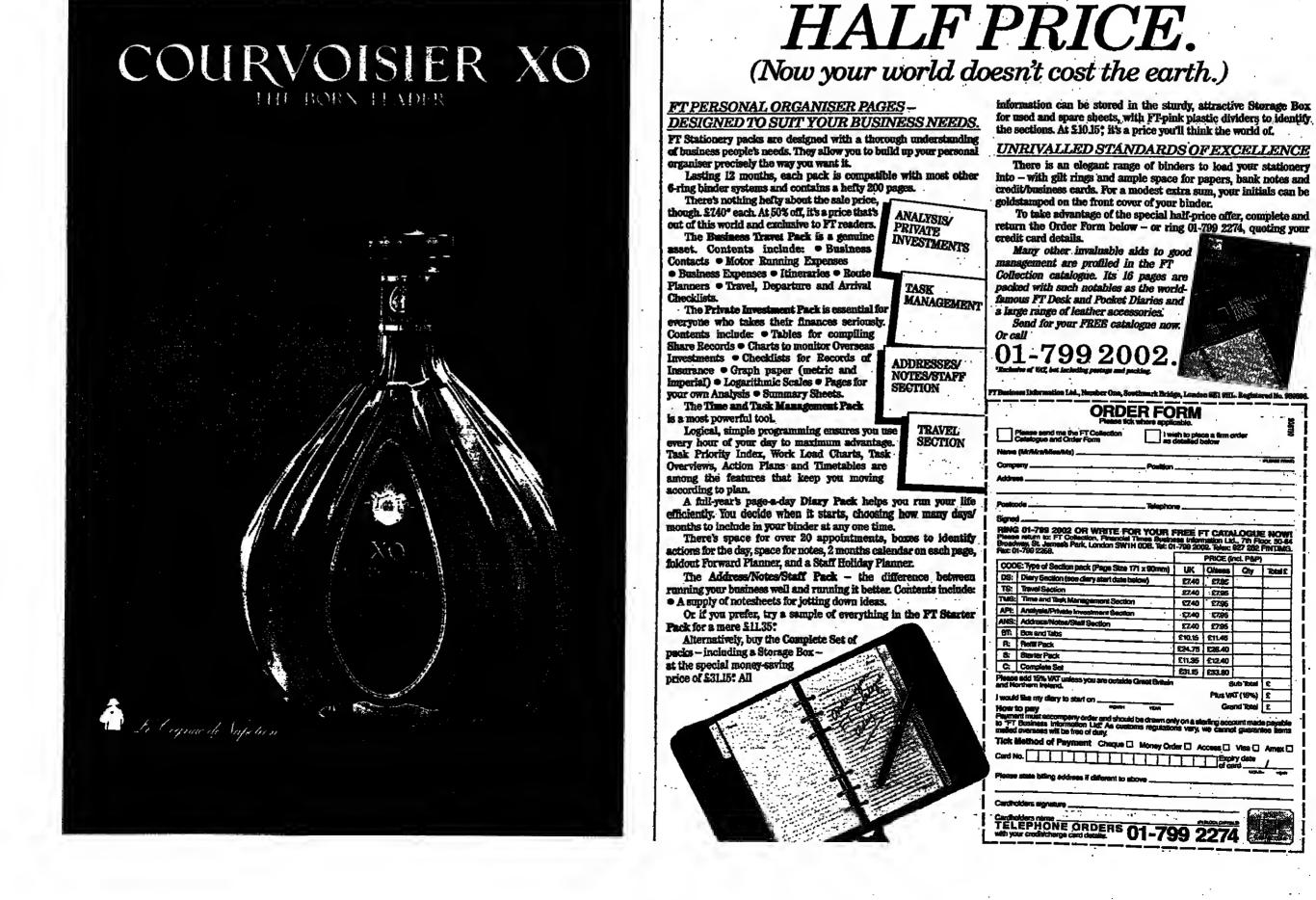
made in many fields. many North Sea operators, reducing the benefits of this year's higher oil prices. The

effect of Britain's tax regime is to lessen the profit impact of either upward of downward

movements in prices and costs. The actual costs ranged from £13.90 a barrel at the Monitrose

field, substantially above the

liner a day during the fourth quarter, and its ad hoc workforce has only



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Never take letters for granted.

The Yoruba tribe of Nigeria once used cowrie shells to communicate with each other. Six sent to your beloved meant, "I fancy you." Eight sent back in reply meant, "I'll leave the door open."

It was of course vital to be able to count accurately.

Other early forms of communication took even more cryptic form.

Peruvian Quipus - knotted cords of different colours - were used by Inca Civil Servants as a sort of filing system for public records.

These are still used in Lambeth today.

The Quipn may have been alright for beating llamas, but as a way of communicating, it couldn't beat writing: "the greatest invention of man" according to Abraham Lincoln.

In the earliest stages of writing, letters were drawn like pictures (pictographs).

The first pictographic 'writing' was Sumerian from around 4000BC.

The most famous was Egyptian hieroglyphic - sacred writing engraved in stone. This meant absolutely nothing to anyone until a Frenchman called Champollion succeeded in working out and writing the name of Cleopatra from hieroglyphs on the Rosetta Stone in 1822. Realising what he'd done, he cried out "Je tiens l'affair!" ("I've cracked it!"), and promptly collapsed in a heap.



We can also congratulate the Egyptians for developing the pen and papyrus. It may not seem much to you, but it was a damn sight easier to tuck under your arm than a chisel and a hlock of granite.

To keep the number of signs down to a minimum, the Egyptians adopted the rebus principle – a pictorial way of substituting pictures for words or syllables. Need — say more?

Pity the Chinese didn't grasp this principle. Even now their written language has 50,000 graphic charac-ters. (Incidentally, in early Chinese the signs for 'woman' plus 'broom' meant 'wife' 'Woman' plus 'woman' meant 'quarrel' - the earliest example

into the base of the Trajan Column in Rome. By common consent, these Capitalis Romana are known as the most beautiful of all Roman letters and were the prototype for western letter forms.

About 50 AD, the last letter in the alphabet was X. Then after conquer- Domesday Book placed in 1086 ing Greece and learning a few Greek iokes that needed a bit of explaining, the Latins added Y and Z. J and U were added in the early Middle Ages and W arrived in the 11th century just in time for Beowulf.

Meanwhile, hack in the court of Emperor Wu Di, a Chinese eunuch called Cai Lun with no balls but one hell of an imagination, invented paper. Made from tree bark, fish nets and old rags, it took over 1,000 years to reach Europe.

Whizzing past the order for one

(famoose for its paw spelling), here's a cultural handrail to give you some perspective on the 12th century. In the whole of Europe there were only four universities: Paris, Oxford, Bologna and Salerno.

> As books were becoming more of commercial enterprise, the need a to cram more and more onto a page produced the Gothic or Black Letter. Chaucer a swine to read even then. to him, stuffed.

and redefine the proportions of the old Roman Capitals using the mutual proportions of the human body.

One such was Geofrey Tory, one of the higgest men in French letters, no, hang on...



Albrecht Dürer relied on nothing more than a sketch and a description of a rhino for this woodcut which was a sell out and went through eight editions.

Unlike the rhino, which went De rigeur for religious manuscripts, it through the ship's hold on its way to still plagues wedding invites and made Pope Leo X and had to he forwarded

Dürer also wrote "Of the

Just Shaping of Letters" in 1525, hut it's not as good a

story.

From 'The Mother's Picture Alphabet' of 1862.

time Iene bring



'The Adventures of Tom Sawyer' was the first novel to be written on a typewriter in 1875. Mark Twain dismissed his Remington as a "new fangled thing."



Better known to Yuppies for his wallpapers and textiles, the poet William Morris started the Kelmscott Press in 1891 to revive the beauty of typography that book production lost, in his opinion, somewhere in the 15th century.



The first sans serif (letters without pointy bits), of the 20th century was Johnston's Railway Type designed for the London Underground in 1918.



Without douht the most influential authority on printing and typography this century, Stanley Morison is most publicly remembered for re-designing The Times. The October 3rd issue of 1932 was the first to feature his Times New Roman.



A zip through the last 50 years.

Machines took over from men to pursue the goal of ever clearer letters, set ever more quickly.

Up to the turn of the century however, hook print was put together by 'Pica Thumpers' - so called after

## FIRST LETTER TO THE LAST WORD.

A POTTED HISTORY OF PRINTING FROM THE

One variation on Black Letter was known as Bastarda for pretty obvious reasons.

Unless you're really into calligraphy (another Greek word of course), we can skip Rustic Capitals and a few hundred years. During this time generations of poor, henighted scribes tried fruitlessly to improve on Roman lettering and developed something they called 'book hand. This is probably related to 'scrihe's hottom' or 'copyist's squint'

round about now and the harbarians turned it into a bingo hall.



As the dust settled on the Roman Empire, Literae Unciales (inch-high letters), were the chubby little heroes of the day. Belted off by scribes who skidded round corners and joined strokes to save time, they were now being written on parchment, "that stouffe that we wrythe vpon: and is made of beestis skynnes:" ALL LETTERS WERE STILL IN



The Roman Empire went hust



"If all printers were determined not to print anything till they were sure it offended nobody, there would he very little printed." Benjamin Franklin. Up 'til 1440, everything in Europe

had been handwritten. And then... Johann Gensfleisch (zum Gutenberg), a goldsmith, came up with his amazing invention. Movable type - printing! His 42-line Bible, completed in 1456, was printed on a machine he made out of an old wine press...



The 16th century saw French typographers leading the world. The most sought after of the time, responsible for establishing the first type foundry, was Claude Garamond who

enduring fame. C'est la vie.



died penniless in 1561, a little ahead of

By the 18th century the spread of literacy amongst a growing middle class made printing big business. William Caslon's Old Face type, cut in 1722, hecame known as "the finest vehicle for the printed conveyance of English speech." Stuff and poppycock.



begins Urn, that at tea-

11

of sexism in literature.)

And so, as scholars' jaws drop even lower, let us skip to the alphabetic system of writing 'invented' some 3,600 years ago.

The word alphabet is simply the comhined Greek names for the first two letters, alpha and heta.

The first letter of the Hehrew ('alef), Arabic ('alīf), Greek (alpha) and Latin (A) alphabets all came from this: Or, a picture of an ox head which & over the years & changed into something & we all recognise, don't we A?



÷.

The first alphahet is believed to have come from the Semites. But it was the Phoenicians who aimed to devise a true alphabet which relied on one symbol to represent one sound.

Early alphahetic scripts could he read from top to bottom, left to right, right to left and, at one period in Greek history, were written in boustrophedon - as the ox ploughs - from right to left and back again from left spacebetweenthem. to right. Confused? You will be ....



Hallelujah! The Greeks stop the Phoenician alphabet spinning round

and get everybody to agree to read from left to right. Except those poor Chinese of course ....



And on to the alphabet we inherited from the Romans. The most perfect expression of the letters is chiselled

CAPITALS.



Illuminated letter from The Book of Kells, 6th-8th century Bnt they got a lot smaller in the 6th century when the lowercase letter started popping up. As did the Vikings, the 8th century's very own lager louts who, despite destroying every monastery they could find, missed those responsible for the two masterpieces of Celtic illuminated writing - The Book of Kells and the Lindisfarne Gospels.

The latter was once stolen and found later, buried and minus its gold cover. Even in the Middle Ages, people nicked books. To try and stop this scribes would often add a curse in the colophon as in this 9th century manuscript:

"Whoe'er this book to make his own doth plot,

The fires of hell and hrimstone he his lot?

And it wasn't until abont 600AD that words began to be separated. Uptillthennobodysawanyreasontoput



Fed up with trying to decipher the cryptic handwriting of scribes from all over his empire, Charlemagne headhunted the top man from the Scriptorium at York and gave him the job of creating a single standard of handwriting - the first bit of corporate design ever.

Charged almost literally with rewriting history, Alcuin of York developed Carolingian letters - a clearly legible book hand, and the direct ancestor of our lowercase alphabet and most basic type styles of today.



Nicholas Jenson's Roman letters, cut in 1470, left Gothic for dead and have been admired hy experts for centuries.



The first English printer was Caxton. The first hook printed in England to bear a date was his 'Dictes or Sayengis of the Philosophres' in 1477. Touchingly, one of his assistants was called Wynkyn de Worde...



What did Raphael, Cellini, Michelangelo, Henry VIII and Lady Jane Grey all have in common? Their handwriting, adopted from the fashionable writing manual 'Operina' written by the Pope's Chancery scribe, Ludovico Arrighi. Other scribes followed suit with manuals of their own. One such, a Spaniard called Morante, became so popular his competitors turned him in to The Inquisition.

Meanwhile in 1501, Aldus Manutius, driven by the desire to invent paperbacks (pocket editions of the Latin classics), introduced a type that would let him get more letters to the page. He was Italian, the English thus called his invention, italics.



Geofrey Tory from 'Champ Fleury' 1529

The Renaissance interest in geometry and ideal form pushed many to try

#### Baskerville, Roman, 1757

Nothing was good enough for Baskerville. He made his own ink, developed his own wove paper and made the first real improvements to the printing press since Gutenherg. His typeface, dismissed as 'painful' at the time, is now one of the most popular and linked the 'Old styles' with the 'Moderns'



After his death, Baskerville's type and punches ended up in Paris where they were used during the French Revolution. His hody, for various bizarre reasons, spent the hest part of 80 years kicking around a warehouse and plumber's shop before heing finally put to rest.



The so-called "Father of 'modern' type," Bodoni of Parma managed to attract Napoleon's attention with the imperial look of his work.



Wood & Sharwoods, Ornamented No 1, 1838

Display faces were just what the early advertisers wanted. The wackier the hetter. One of the very earliest poster types had the most appealing name: Fat Face.

a size of type.

Paid by the 'ennage' (or length of setting) they had a sneaky habit of slipping extra space into the line. It's easy to spot their work. Then along came the computer...



is for Epson's TLQ 4800. The last word in computer printing technology and the first 48 pin dot matrix in the world.

And not satisfied with an invention that makes printing history, Epson have invented a whole new word to describe how they did it -Supermechatronics.

(Those poor old Chinese, that's another 52 brush strokes they'll have to learn.)

What this gives you is a machine with print quality like a laser (Total Letter Quality no less).

Unlike a laser printer however, the Epson gives you amazing paper handling. You wouldn't helieve what it can do with a piece of A3 paper.

If you want to find out what else this revolutionary new printer can do for you, tie a knot in your Quipu and remember to write to: Epson (UK) Ltd, FREEPOST, TK984, Brentford, Middlesex TW8 8BR. Or call up Prestel \*280# or phone (0800) 289622 free of charge.

E is also the beginning of the end.









 $\mathbf{X}$ VACHERON CONSTANTIN

VACHERON CONSTANTIN, THE MOULINS, CH 1204 GENEVE

### COMBAT STRESS

When his ship was torpedoed... so was his future peace of mind

.• •

Leading Seaman R...., n served right through the war. He was torpedoed in the Atlantic and suffered from exposure. He served in Landing craft, and his home received a direct hit from a bomb while he was there on leave. In 1945 his mind could take no more, and be spent the next 25 years in and out of mental hospitals. He now lives with us, Saliors, Soldiers and Airmen still risk renetal brackform is servion their country

ental breakdown in serving their country. wever brave they may be, the strains are

We care for these gallant men and woman at home and in hospital

We run our own Convalescent Homes, and a Veterans' Home for the ageing warniors who are no longer able to look after themselves, We also assist people like R.....t H......n at Pensions indunats, ensuing that they receive all that is their due, These men and women have surficed their minds in service, To help them, we must have tinds. Please sand a donation and, perhaps, remember us with a legacy. The debt is owed by all of us.

#### "They've given more than they couldplease give as much as you can."

STRESS

EX-SERVICES MENTAL WELFARE S BROADWAY HOUSE, THE BROADWAY, WARELEDON SW19 JRL TEL: 07 Prase and inclused my domains for ESOT20CYOCSYC	-543 6333
or charge my Access/Visa card No	Expery date of card
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Name (BLOCK LETTERS)	
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COMBAT

Swaps ruling may prompt long legal battles

### By Katharine Campbell and Raymond Hughes

cial banks could face losses of A HIGH COURT ruling yesterday that financial mar-ket transactions carried out by local authorities from making payments on outstanding swap and swap-related transactions. Hammersmith & Fulham council in London were illegal seemed likely to give rise to a series of long legal battles. The judgment covers sophis-ticated interest rate swaps and

The indge said the figure relating to Hammersmith alone was over £100m. Precise losses other capital markets transacare impossible to quantify tions entered into by the coun-cil between 1987 and 1989. The apparent scope of the ruling, which suggested that all such arrangements were

to include all swaps transacted beyond the powers of the coun-cil - and by implication all during the seven or eight-year involvement of authorities in the market, that figure could be considerably larger. A group of five banks among other local authorities – took bankers by surprise. They had expected the court to rule that the affected financial instituat least some of the swaps were legal. A total of about 70 commer-

### tions had argued that the swaps were legal and are Cash problems beset plans for high-speed rail line

nel under London.

unworkable.

interest rates.

### BR likely to delay chunnel link talks with United

up to £400m if the judgment

were interpreted as barring all

becausa the calculations

depend on the future pattern of

If the net were to be widened

#### By Kevin Brown, Transport Correspondent

BRITISH Rail's plans to press ahead this year with a high speed rail line from London to the Channel tunnel are almost certain to be abandoned at a board meeting today. The decision will reopen the

debate about the route and fin-ancing of tha line and will mean further uncertainty for residents of Kent, South London and Essex. BR had hoped to table a pri-vate Bill this month seeking

legislative approval for its pre-ferred route through Kent and South London to terminals at

Waterloo and King's Cross. But executives decided after a series of crisis meetings yes-terday that the financial prob-lems facing the project cannot be solved in time to meet the parliamentary deadline. Instead, the board will be asked to approve a year's delay to allow time for further talks with the two private sector consortia interested in building the line, led by Trafalgar

new station at Straiford, in East London. House and Peninsular and Ori-ental Steam Navigation. Both consortia say the proj-ect is not viable without a gov-ernment subsidy of about £1bn One of the consortia, led by Manufacturers Hanover Trust, and Bechtel, the US construction group, has had talks with Transport Department offi-cials, and expects to complete a detailed feasibility study because the cost has been increased from £1.7bn to £3.5bn by environmental improve-ments - including a fibn tun-

within the next two weeks. BR is implacably opposed to this scheme on operational and Trafalgar House won some support within BR for a compromise proposal for a line from the tunnel portal to Swanley, on the south-east edge of London, but this option has been abandoned as marketing grounds, but the proposed Stratford terminal is favoured by Mr Cecil Parkinson, the Transport Secretary. Mr Parkinson will come under strong pressure from the Labour Party and pressure groups in Kent and South Lon-BR will try to restrict the review to ways of financing its preferred route through Kent and South London, but the don for a full review of options. Mr John Prescott, the and South London, but the delay will provide an opportu-nity for supporters of rival schemes to prepare proposals. Two separate rival schemes are being proposed, both of which would ronte the line across north Kent and south Essex before terminating at a shadow Transport Secretary said the BR decision would continue the existing planning blight on Kent and South Lon-don, and urged the Govern-ment to provide sufficient pub-lic funds to bridge the

financing gap.

expected to appeal the ruling. Lord Justice Woolf and Mr Justice French said Hammersmith had exceeded its legal powers by entering into "highly speculative" transactions in the capital markets. When it made sophisticated interest rate swaps and other deals with banks, the council had not been engaged in inter-

**UK NEWS** 

August, 1968, which was why the council could now incur Woolf said. "What has happened demon-strates the highly speculative nature of the council's activi-ties," he said.

est risk or debt management but trading in the capital mar-ket with a view to profit, the judges said. Lord Justice Woolf said that during the 1987-89 financial years Hammersmith had autered into 592 transactions involving a notional principal sum of £6,002m, when the council's annual rea mere £85m.

Whether those transactions had been unlawful. The only parties to argue produced a profit or loss depended on whether the counagainst the auditor were five of the banks which had been Hammersmith's counterparties in the transactions: Midland cil had correctly anticipated interest rate movements. In fact interest rates had Bank, Security Pacific National Bank, Chemical Bank, Barrisen substantially since

clays Bank and Mitsubishi Finance International. They substantial losses, Lord Justice feared being unable to recover what they were owed by the council if tha transactions

The court's ruling was made on an application by the dis-trict auditor, Mr Anthony Hazell, of Deloitte Haskins & recent months pending the High Court decision and bankers had already been scrutinis-ing the implications for author-ities' other financial dealings, Sells, the accountants. The application was backed by Hammersmith, which accepted that what it had done

apart from swaps.

**Telegraph chief holds** 

By Raymond Snoddy

MR CONRAD BLACK, the Canadian chairman of the speculation that the stake building heraids a hostile bid from Mr Black at the head of a Daily Telegraph newspaper, has made his first move in try-ing to reach a formal collaboraconsortium determined to break United up. tion agreement with Lord Stev-ens, chairman of United The signs are for the moment that Mr Black, whose

company Hollinger controls 80 per cent of the shares in the Telegraph, is seeking joint ven-tures and a collaborative rela-Newspapers. Mr Black, who recently took over as executive chairman of the Telegraph group, has met Lord Stevens twice in recent tionship with Lord Stevens. weeks. United's newspapers include the Daily and Sunday Express and the Daily Star. Express and the Daity Star. Mr Black, who has taken the Telegraph group from the edge of bankruptcy to a company worth more than 2400m in less than four years, has set out a series of proposals for future joint ventures between the two

newspaper groups. Mr Black has built an 8-per cent stake in United, the inter-ests of which include regional newspapers, the Extel information service and magazines such as Punch.

There has been widespread

the proposals.

In Brief **Fowler hints** at accord on **EC** social charter

FINANCIAL TIMES THURSDAY NOVEMBER 2 1989

were ruled unlawful. Local authorities have in

Mr Norman Fowler, Mr Norman Fower, Employment Secretary, indi-cated yesterday that there was still a possibility the UK Gov-ernment would be able to reach agreement with its 11 partners in the European Com-munity on the proposed social charter

charter. Speaking at the meeting of effect been denied access to the

interest rate swap markets in the National Economic Devel-opment Council, Mr Fowler welcomed the changes agreed earlier this week in the draft charter. He repeated that the Government was not against a social charter, but that it was against the current draft.

> **Reuters strike ballot** The trade unions at Reuters, the international news and information group, will ballot workers on a a series of 24hour strikes

N Americans stay away The Department of Employment, which monitors tourism figures in the UK, announced vesterday that 8 per cent fewer North Americans came to the UK in August compared with the same month last year.

**Rail fare rise expected** British Rail is expected to ... announce average fare rises of about 9 per cent today following the completion of last minute negotiations with Mr Cecil Parkinson, the Transport Secretary.

Flotation delay

National & Provincial, the sixth-largest UK building soci-ety, may be forced to delay The talks are believed to be at an early stage and Lord Shevens has yet to respond to plans for a stockmarket flota tion next year

## The Bank of England's sneaking German envy

**Richard Lambert** and **Peter Norman** consider the idea of a politically independent central bank

HE Prime Minister, according to Mr Nigel Lawson, is not inter-ested in creating an indepen-dent central bank. The idea, which he presented to her last year, was dismissed for politi-cal reasons without any seri-ous debate ous debate ....

During his time as Chancel-lor, Mr Lawson was not inclined to treat the Bank of These safeguards were destroyed during the 1930s; when the bank became subserrespect. But the concept of taking control of monetary policy out of the hands of politicians out of the hands of politicians and placing it into the care of technocrais is ona that fits snugly with the free market ideals of Thatcherism, and was widely discussed during the early days in opposition. Mr David Howell, later to be a member of the first Thatcher cabinet, recalled that in 1977 "there was strong sympathy for the idea that monetary pol-icy, although not the be-all and icy, although not the be-all and end-all, was too important and complex to be left in the centre of the political arena, and that we could do worse than follow

many's Bundesbank, which is the ontstanding example of such a central bank, is in good measure the result of history. After the monetary chaos in the early 1920s, the Banking Act of 1924 attempted to guar-antee thet the Reichsbank should be independent of cen-

tral government and the amount of credit which it could give to the Reich was

obligation to support general economic policy is expressly linked to the condition that this does not create insoluble port. conflicts with its responsibility for the prudent management of monetary policy. Although nominated by the Government, the directorate of

the Bundesbank are appointed by the President of the Federal Republic after consultation with the Central Bank Council

port. Towards the end of Mr Hel-mut Schmidt's term as Chan-cellor in the early 1980s, Mr Karl Otto Põhl, the Bundes-bank president, tussied with -Bonn over his insistence on a tight monetary policy to com-bat inflation while the political fortunes of the then centre-left coalition in Bonn were flag-eing. Again the Bundesbank ging. Again the Bundesbank

been largely independent of political pressures. Montagu Norman, the formidable figure who was its Governor from who was its Governor from 1920 to 1944, firmly believed that central banking should be carried on independently of politicans and their civil ser-vants - and yet he always took care to stay on the right side of the Chancellor of the Exchequer, calling in on the

published no conventional accounts and would not even tell the Treasury what its top officials were paid. Lord Richardson, the last Governor, regarded himself as the equivalent of a senior cabinet minis-ter, and could take a lofty line with mere civil servants.

ised Industries found that it

R ut as the Bank has increasingly taken on

A full bid for United would be expensive and would inevi-tably lead to an immediate ref-erence to the Monopolies and Mergers Commission. The possibilities for collabo ration would include joint ven tures in regional newspapers or magazines. If the two groups were to set up a new national newspaper, for instance, that, however, would not be caught by Monopolies regulations.



vient to the German war machine. After the horrific experiences of two world wars and two periods of hyperinfla-tion, there was never any doubt that the central bank would be kept as separate as possible from government in the new West Germany. The Dentsche Bundesbank,

The Denische Bundesbank, which was finally established in 1957, is a federal corporation under public law, and its capi-tal is held by the Federal Gov-ernment. The 1967 Act requires the Bank and the Federal Government to consult and co-op-erate, and the Bank is required to support the general eco-nomic policy of tha govern-

However, it also states that the Bundesbank must always regard its primary task as being the guardian of the cur-rency. Not only is it to be independent of instructions from the Federal Government: its

with the Central Bank Council – and they normally hold office for eight years. However, these statutory provisions would not in themselves have been sufficient to guarantee independence. This has been established by a series of strong Bank presidents who have been willing to stand up to Bonn when necessary to Bonn when neces

n the 1950s the Bundes-bank was involved in a series of acrimonions debates over monetary policy with Chancellor Adenauer. The central bank stuck to its policy of tight monetary policy despite open criticism from the Government. Again in July 1972, the Bundesbank emerged supreme in a power struggle between president of the day Karl Klasen, and economics and finance minister Karl Schiller over the issue of the introduction of exchange controis to curb the rapid appreci-ation of the D-Mark. Schiller, who opposed controls, resigned after Klasen, who favoured them, won the Cabinet's sup-

Perhaps the Bundesbank's real power lies in strong public support. It is, opinion polls tes-tify, perhaps the most respected institution in West Germany. The folk memory of two periods of hyper-inflation in this century have left an indefible mark

in this century have left an indelible mark. The Bank of England's posi-tion is very different. As Sir Kit McMahon, its former Dep-uty Governor, wrote last year: "The Bank's difficulty has always been that they have no statutory power (except, very recently, for the Banking Act) behind which they can stand and say "This is our territory." The degree of independence which it can enercise therefore depends largely on the charac-

in 1946 made little effective difference. There was nothing new in the idea that the Bank was a public body: in 1781, Lord North told parliament that it was "from long habit depends largely on the charac-ter of the Governor and his senior colleagues. In the words of one such figure: "Things do depend on personalities a great deal. Our position at the table depends on our expertise." and usage of many years" a part of the constitution. The Bank resisted with all its might the notion that it was just another arm of govern-ment. As late as 1969, the Select Committee on National-

There have been periods when it has appeared to run a monetary policy which has

 statutory responsibiliti home from work. He kept the Bank clear of the central civil service machine, but only by for banking supervision, it has become harder to present itself as an independent agent. It has gained more direct powers funnelling all contacts personally through the Treasury. The destruction of the gold standard in 1932 killed the idea that monetary policy could be regarded as an isolated matter

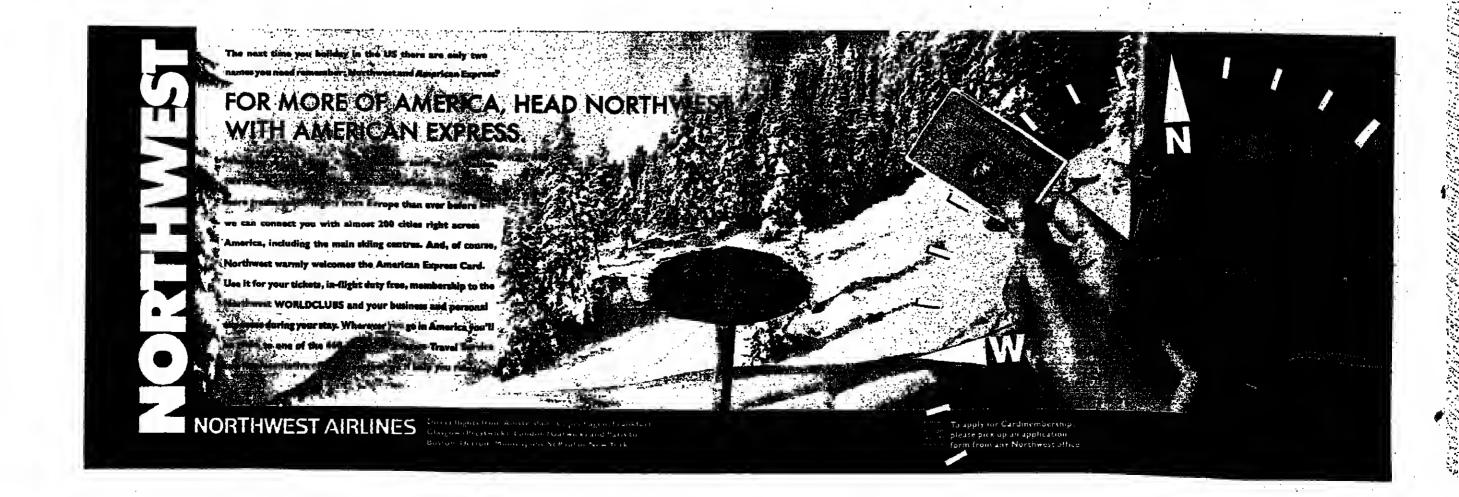
sury's agreement. Nationalisation of the Bank

than it had, but it has moved further away from the Bundes-bank model, which has no such responsibilities.

Sir George Blunden, the vet-eran Depnty. Governor, expressed the position frankly at a private function a little while ago: for bankers. By the 1950s, it was finally established after a prolonged fight that the bank rate (at which the Bank exer-cised its function of lender of last resort) could not be changed without the Trea-

"We say that our lack of independence over monetary policy is more than offset by the greater degree of influence we can bring to bear on the whole range of the govern-ment's economic and fiscal pol-icies," he said.

But if we were truly honest, most of us would admit that we envy the authority and power of the Bundesbank and the Federal Reserve System, and believe that countries with independent central banks have an advantage over the have an advantage over the



### **MANAGEMENT:** Marketing and Advertising

them."

these efforts.

With the brand symbol in

national cultures and markets.

appropriate way in each coun-

feminist protests.

### national company is very similar to marketing a brand of cornflakes or any other product or service, says Anne Ferguson, head of communica-tions at ICI, the chemicals group

"The basic principles are the same. First you decide who is important to you in terms of target audience. You decide, then, what you want to say to them about the company; and you ask them what they think of the company.

"If there is a gap between what they tell you and what you think they should know, then you have to fill the gap."

For the past two years, Anne For the past two years, Anne Ferguson has been doing just that for ICI – giving new defi-nition to a corporate image which had become blurred by changes in the focus of the company itself during the lotter company itself during the 1970s and the 1980s.

This week, her work was recognised with her selection as Marketing Woman of the Year by the Chartered Institute of Marketing.

of Marketing. Ferguson joined ICI from Bristol University as a market researcher with Dulux Paints in the mid 1960s. "I was paid a lower salary than male entrants, and I was a right lit-tle women's libber," she says. After only 15 months, she married and left for West

married and left for West Africa where she taught for the next three years in a small church school. "Some people say I've never lost the schoolma'am approach," she

smiles She kept in touch with ICI colleagues - "It's that kind of company" - and on her return After three years in market research, she was taken into the marketing team. I started at the bottom amin and at the bottom again and I learnt everything I know there," she says. "It was a very professional team."

In 1981, Ferguson took over as general marketing manager for Duhux, a business with an annual turnover of £120m and a marketing budget of £14m. In the do-it-yourself, con-

sumer sector of the paint mar-ket, she quickly made women her main marketing target.

The Dulux sheepdog was already being used by Foote, Cone & Belding, Dulux's then advertising agency, to take some of the unpleasantness out of painting - to bring to it a sense of home and family life. "I like to think I was the first

develop the understanding that it was women who made the important decisions about decorating the home," Fergu-

## arketing an inter 1989 UK Marketing Award The chemicals and cornflakes factor

ICI's Anne Ferguson explains to Philip Rawstorne how she has applied basic principles to the multinational's corporate image

son says. Where men regarded painting as a chore, women thought of it in terms of the pleasure derived from a bright, clean and comfortable home.

"We developed the consumer marketing of Dulux on the back of that proposition," she says. Product development — brilliant whites, off whites, and the range of color the range of colours - was brought within the ambit of

the marketing department. Ferguson turned to other sectors of the market - professional decorators and merchant wholesalers. "In some parts of British industry, the thinking still seems to be that general principles can only be applied to consumer market-ing," she says. "Absolute rub-bish. The basic marketing dis-cipling an arbitration of ciplines are applicable to all products and services. Ws got good understanding of what all our markets needed, and produced strong marketing

packages as a result." Ferguson then extended her marketing strategy abroad, introducing paints developed for the UK market first into France and West Germany, then further afield into North America and more unlikely markets such as Malaysia. By 1986, due largely to the marketing and product innovations, Dulux sales volume had increased by 40 per cent and brand share had risen from 25

had expanded its high added-value business, concentrating its research and technology in per cent to 34 per cent. The global marketing approach she had initiated at Dulux proved to be a useful areas such as pharmaceuticals, hieras such as pharmaceuticals, biotechnology, agro-chemicals and environmental sciences. Market research in the UK, however, showed that ICI was preliminary to the next task for which she was chosen still generally perceived, even by many of its employees, as a British heavy chemicals com-pany. There was little recogni-tion of its international stature that of promoting a new image

for ICI itself. ICI was an early convert to corporate advertising, running campaigns in the 1970s on themes such as "The Pathfinders" and "Ideas In Action."

As the group started to climb out of a difficult trading period in the early 1980s, during which advertising in the UK had been drastically reduced, the ICI board decided it was time to look again at the image it was projecting.

many a process of the second second second

quality of tapwater can be

improved with filters

The company had changed

or its research and science base. In the US, West Ger-many, France and Japan, the group was much less well known than might have been Ferguson says: "Corporate communications is not an optional extra. For a company such as ICI, it must be part of its ethos. Employees must

considerably over the previous decade or so. It had been radi-

cally restructured in an effort

to become more responsive to the needs of its markets. It had

come more international. It

have a good understanding of

lic, Ferguson turned to TV and press advertising. "Advertising brings the company logo to life," she says. "It develops your proposition: shows what the product stands for." the "World Class" series of advertisements, emphasising the company's international 1. ....... and the second have been adapted to take account of the idiosyncrasies of "Ws learnt hy trial and error how to present ourselves in an try," says Ferguson. She illustrates the problems

Anne Ferguson: taking account of national idlosyncrasies

the company's operations and strategy; that is a high prior-ity. A general sense of the com-pany's stature helps to attract new talent.

"Customers should know about its diversity; that is good business sense, especially in fast growing markets such as Japan where our aspirations are high. Awareness of ths company's investment strategy and its objectives is important for the financial markets." Ferguson launched her pro-

gramme to meet these needs in gramme to mest these means in 1987 under the aegis of Sir Denys Handerson, the newly-appointed chairman, who took personal responsibility for the group's identify and market-

ICI's logo was revamped by corporate identity specialist, Wolff Olins, and used to brand the group's operations world-wide. "Corporate packaging is just as important as the packaging of any consumer prod-uct," Ferguson says, "It tells people what you are offering

### TECHNOLOGY

bottom.

eorge Humphries. DIY plumhing kit ouality of tanwater can be Types of domestic water filters

the right track."

### UK travel agencies

### place, priority was then given to ICFs internal communica-tions. It was decided to use **Thomas Cook's newest trip** videos to provide employees with news of the groop's results, acquisitions and new husiness, and to explain its

David Churchill assesses an attempt to move upmarket

strategy and objectives. Seven homas Cook, the midhave now been made. Rondel, the company news-19th century founder of Britain's oldest and paper, was given a fresh look hest-known travel company, and business focus to support would probably have turned in his grave this week. To address ICI's wider pub-

Cook, a teetotal, evangelistic cabinet-maker from Derby who started organising tour groups in 1841 - albeit temperance tours around the Midland countryside - would no doubt have found the razzmatazz sur-Saatchi & Saatchi produced rounding the announcement of an £18m re-vamp of the Thomas Cook travel agency chain just a bit much.

But the launch of the new-look Thomas Cook for ths status and its contributions to making the world a better 1990s needed all the hype it could get. As most marketers are well aware, being first and best-known in any market is no guarantee of continuing SECC

Thomas Cook'e star has been on the wane for many years, first under the starile owner-ship of British Rail in the immediate post-Second World War years and subsequently under the control of the Midland Bank Group since 1972.

Midland bonght Thomas Cook at a time when demand for package holidays was first beginning to take off; moreover, the synergy of adding a company involved in currency and travel finances seemed to have irrefutable logic for a banking organisation.

with an early advertisement for 1CI fibres for women's stockings and tights which legs. It won an award in France hut had to be with-drawn in the US because of But Thomas Cook never seemed to get to grins with the travel boom of the 1960s and and drifted along from its Peterborough base while Mid-land Bank had more pressing Has the advertising worked? "We monitor it very carefully," problems, such as Crocker, its former US subsidiary.

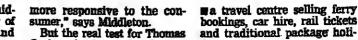
says Ferguson, laying a sheaf of graphs on the table. Aware-ness of the company, its inter-"We were complacent and living off our name," admits Peter Middleton, an sz-diplonational business, its commit-ment to research and its range mat brought in as chief execu-tive of the Thomas Cook Group of products have all shown a inarked increase. Polls in the UK showed only 50 per cent thought of ICI as a world class company in 1987, but more in late 1987 in a last-ditch attempt to rejnvenate the travel chain.

Middleton has spent the past year and a half reorganising than 70 per cent do so now. ICI, she claims, has itself become much more marketing the company'a management structure, including an influx of new marketing executives conscious in the process. "All our strategies are developed on an international basis, and (such as Christopher Rodrigues, ex-marketing director at American Express) and textvery much with marketing plans in mind. Marketing is one of the principal driving book moves like delegating authority and making employ-ees more responsible for their forces of the group from top to

"We had to change the cor-porate culture stuff to make us We are confident we are on

Wings that fly

free from ice



But the real test for Thomas Cook - in the marketplace has yet to come. The UK travel

industry is going through its most testing time since the mid-1970s when Clarksons, the tour company, collapsed in the wake of the oil crisis. This year's sales of package holidsys to Mediterransan

resorts were down by at least 10 per cent in volume terms, largely a consequence of rising interest rates but also because of some consumer disenchantment with the standard of package deals.

Since the summer, however, demand for package holidays ings for winter holidays are running at about 30 per cent below last year's level, while those for next summer are 50 per cent down.

While the lesding tour opera-tors have declared a truce in the running price war they

Being best known in any market is no guarantee of continuing success

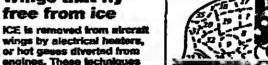
have fought for years, the battleground has switched to the travel agency chains which are competing vigorously on price to attract customers.

Middleton and his colleague at Thomas Cook, however, are well aware that the history of marketing is littered with com-panies which have tried to fight a price war in a declining market. The way shead, they believe, is for a marketing-led approach to cream off the profitable elements rather than try to compete only in the mass

"With wafer-thin margins from package bolidays it makes sense to chase added-value rather than volume,"

value rather than volume," Middleton points out. Cook's strategy is to adopt a market segmentation approach and gradually try to capture more of the higher spending travellers. It plans, therefore, to redesign the bulk of its 340 high street shops over the next two years to provide four "shops within a shop". Customers will be directed towards:

towards



to speed up the complex liti-gation involved in building and engineering disputes. The Official Referees' Court has installed closed television monitors to obviste the need for passing round reams of

tailor-made holidays. We tested this concept earlier this year and it confirmed our belief thet holidaymakers are becoming more demanding and discerning about the sort of trsvel arrangements they require," explains John McEwan, managing director of the retail shops.

There is nothing worse than someone in a traditional travel agency who wants to spend thousands of pounds on

a flight centre for airline

a travel consultancy aimed

at selling high-value or

tickets; na bureau de change;

13

egy is hy no means a new one; many retail groups in the 1980s have moved towards shops within shops - albeit with varying degrees of success. drawback is that niche marketing in a retail environ-ment can confuse the customer about what the shop is trying

to sell. Another dilemma facing Cook is whether or not the holidaymaker in the 1990s actually wants, or is able, to move upmarket. The Lunn Poly travel agency chain - market leader in terms of number of shops and holidays sold (Cook is number two in both markets) - has a clear strategy of selling packages at the lowest prices. If the UK economy turns into recession, then price may become the paramount market characteristic, forcing Cook to scale down its plans. Thomas Cook can take heart, however, from the fact that British Airways is adopting a

similar move in travel retailing with its Four Corners trave shops and its new First travel centre in central London.

Moreover, Cook has plans to make greater use of a data hase of 1.6m previous custom-ers to sell holidays and related services through direct mail and telephone marketing.

"But we must not forget that "But we must not forget that we have the premier brand name in travel," adds Middle-ton. The late Thomas Cook would certainly approve of that.

OB

a trip having to stand in line behind someone just trying to buy a rail ticket," he adds. Cook's segmentation strat-



water filter he has developed. People will be able to fit it eas-

ings, is enthusiastic about the

potential markets for a new

"clean up" tapwater. But with little regulation and no British standard except for the materi-als used in the filter, miscon-ceptions about what filters can do have been compounded by scare stories of filters that do more harm than good.

Jug and tap filters, costing about £10, contain a granular active carbon medium. This acts as a simple slove to catch particles such as lead if present in the water as a fine suspension, and gases such as chlorine. Some also have an ion exchange resin to remove carbonate ions that otherwise cause the temporary hardness that puts scale on the kettle, and dissolved metal ions such as lead, copper or aluminium. A problem is that they have to put ions hack in exchange. Some put hydrogen ions in, but thess may make the water more acidic. Others put in sodium ions, linkad to increased blood pressure and heart attacks.

Ron Gerdingh, managing director of jug filter maker Brita, stresses that, although his filters may remove harmful substances, this should not be the primary reason for buying one. His filters will not remove nitrates or pesticides, two of the five most controversial contaminants along with lead, aluminium and organochlorines. Much of what the filter removes is not harmful but is disliked, such as peat which makes the water brown and

gives it an earthy taste. His filters contain the granurial growth on plumbed-in car-bon filters could be forced into lar carbon and a hydrogen ion exchange resin. He reckons the filtered water under presthat building in a resin that removes nitrates "is not a responsible move," because the sure. In the UK, Jenny Colbourne of Thames Watsr's water quality laboratories has found that bacteria up to 100 medium is quickly saturated. times the limit set for potable The consumer cannot tell when this happens and there is Brig Daniels, also of Thames Water, stresses that this hapa danger that an overloaded resin will dump a nitrate into ths water.

pens if the filter is not properly Gerdingh is amazed at the fitted, properly maintained, or if the cartridge is not changed number of "worms that have crawled out of the woodwork" often enough - Thames rec-

reopie will be able to fit it eas-ily to their kitchen cold water pipe, he says. "You only have to be able to drill one hole. The rest is screwdriver, work." Humphries's plumbed-in car-bon filter will join a plethora of products that bave reached abops after widespread criti-cism of the quality of British drinking water. Claims are made about how filters can "clean up" tapwater. But with drink

60 litres a day."

exchange resins, and cost upwards of £100. They have aroused controversy as possi-

ble media where bacteria can grow. Like the jug filters, they remove chlorine which, points ont Boh Hyde of the Water Research Centre in Swindon, is

added by the water authorities to disinfect the water and stop

Most jug filters have a coet-ing of silver which is known to be toxic to bacteria. They

should be kept in the fridge to reduce the chances of growth,

but one problem is that people may not like very cold water. Work done in the US and

Canada has found that bacte-

water can break through.

bacterial growth.

since Brita started in 1981. He ommends every three months. She agrees that the filters do not remove nitrates. believes that there should be more controls on manufacture

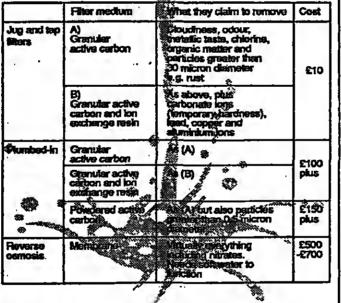
and testing. "The responsibil-ity is on the manufacturer, and Hyde points out that in studies on granular carbon fil-ters as replacements for the the general awareness and knowledge leaves something to more common sand filters used be desired." Testing, he says, should replicate the conditions by the water authorities, it is known that the carbon filters that the filter will have to withstand in a normal kitchen: "Yon abould not rush through allow more bacteria through than the sand version. "We are hoping the water industry will be funding some work," he says. He believes that domestic Plumbed-in point-of-use car-tridges - which are attached

filters are unnecessary. But Veronica Wells of Citto the kitchen supply and filter to the anchen supply and most the water as it passes through the cold pipe – are the second sort of filter. These contain carbon and some have ion

mart, distributor of US-made Ever Pure filters in the UK, disagrees. She argues that the water authorities themselves "reckon home filtration has got to be the answer in the end." On the chlorine question, her view is "let it do its job, but do you want to taste and drink it afterwards?"

afterwards?" The Ever Pure filter is made of powdered active carbon impregnated on a woven fab-ric. Six layers are used in the cartridge - 450 eq m of medium, she says - which will filter particles of over 0.5 micron diameter. Water authorities, she says, work on a 30-40 micron diameter. Most other filters on the market she describes as "just tubes of granules."

Citmart claims the Ever Pure filter will last for 12 months. It says that dumping of contaminants from its filter is impossible because a valve incorporated in the cartridge reduces the flow of water as the filter nears the end of its life, eventually stopping completely. Wells also points out that it will only filter suspended particles, so nitrates will pass through unlese absorbed on to other particles. Wells wants to see rigorous, independent testing and Brit-



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machines need softened water - which is not recommended

for drinking because it con-

- 20 - 28 ish standards for filter systems. There is a code of practice set for hygiene by the Auto Vending Association, and Ever Pure filters are tested by the National Sanitation Foundation in the US for six months before getting its seal of approval. In the UK, sbe argues, independent testing can mean taking a filter to a laboratory and asking for it to be tested for removal of certain substances. But such a test, under controlled laboratory conditions, can be meaning-less. "You have to look for a filter that has some kind of approval, I would say from government

Wells points out that it is Weils points out that it is illegal to fit any equipment not listed in the Water Research Centre listings directory of fit-tings, though it is not illegal to sell them. This is one way of checking the quality of a filter on the market on the market. But Graham Jukes, under-

secretary of the Institute of Environmental Health Officers, is not impressed with any of the filters currently on the market. He says that none of the carbon types will remove the main contaminants of concern, nitrates and pesticides. The only systems that will do so are reverse osmosis filters, which have a fine mem-brane. But because this clogs so quickly with salts from the

ity.

or hot gaues alvorrequire a lot of energy, writed Lynton McLain. The constant heating and

cooling can also put stress on surfaces and cause metal tatigue. Soviet engin have developed a techni for removing ice without heat. It is based on wave pulses, generated by electromagnetic induction, which use between 500 and 1,000 times less ing. The waves are fike those from a pebbie in a pond. They radiate outwards, rippling ice on the wing surface and hencing is for the surface and breaking it free.

Electro imputse de-icing works by storing a low level of energy in a capacitor and discharging it through a thyr-istor to electromagnetic inductor colls. The colls are near the surface skin of an aircraft wing and induce a magnetic field in the wing. This field interacts with the

primary field in the coll and generates a circular wave which deforms the surface skin for one hundredth of a second. Several induction water, rsverss osmosie colis are used in a sequ that is determined by the hartains raised levels of sodium. Reverse osmosis filters also monic characteristics of the

wing. The technique is marketed leave the water almost distilled, lacking any useful salts. They need careful fitting and In Europe through Barwell Interna ional an aeroso try equipment supplier.

cost between 2500 and 2700. Lead, says Jukes, usually in a separate development, Pleasey Research, of the UK, comes from old pipes in soft water areas. He says the probhas developed a sensor which gives helicopter crews lem should be solved by replacing the pipes. For the other contaminants, breaches occur advance warning of when they are about to fly into dan gerous king conditions. The He, along with Daniels and Wells, advises that concerned ensor is based on ceramics, in which the electrical powe dissipated by the device is householders get their water analysed free by their local water authority. But the insti-tute plans a country-wide water sampling programme which would be available in case the vability perceives the directly proportional to the total mass of the water droplets in a volume of air.

#### **Driving away** case the public perceives the water authorities as having a toxic waste vested interest in what they

tell their customers. "There is AS concern continues to grow no need to have water filters about hazardous industrial whatsoever," Jukes states. "unless there is a medical consubstances, more companies are considering sale ways of transporting them - both within the factory and along dition that requires their use." All of this may be perplexing for Humphries, whose filter kit will be available in many DIY highways and railway lines. To help do that, the West German company Rietberg-werka, of Reitberg, has devel-oped the Vario-Set system. stores. Research suggests a market for point-of-use filters of 500,000 a year over the next two years, he says. "At least, a family of containers, each that was before all this publicone resembling a square milk

churn. The system is sold in



### WORTH WATCHING Edited by

**Della Bradshaw** 

the UK by EGB Industrial, of Up to four containers, each

with a capacity of 80 litres, can be transported together on one pallet. Each contains can be filled with a different substance, in liquid or solid form — such as petrochemi-cals, cutting fluids or used

cleaning fluids. When used for toxic waste, the containers have a double metal skin to withstand an impact. The space between the two can also be filled with liquid, so that a breach in the outer skin could be detected before poisonous substan have a chance to eccape. Us substances

### Characters in a Chinese display

A MULTI-LINGUAL radiopager has been developed in Hong Kong which can display Chi-nese characters as well Roman letters. Is Chinese mode, the pager

can hold up to 32 separat messages, each messag up to 39 characters long (compared to messages of up to 79 characters long in English). The characters are shown on the liquid crystal display.

In the case of Chinose charactors, up to eight can be de-played at a time. The pager can also handle Arabic charters, and a device for Ara-

bic and Roman numerals is being considered. The pager, sold by Kantone Paging, uses the international coding system called Pocsag, and works in the 138 to 174 MHz frequencies

### Trial evidence goes overhead

**TECHNOLOGY** is now on trial within the British legal system

photocopied charts, drawings photographs and sketches, instead, an overhead camera focused on a desk by the wi ness stand, takes pictures of the diagrams and displays them in colour on the large television screens, sited around the courtroom.

The camera, controlled by a device beld by the judge or the witness, can zoom particular sections of diagrams or photos to illustrate the point. The system was installd by Channel Commun cation Services.

**Tech Licensing Fair announced** 

THE British Government will announce in London today plans for an international Technology Licensing Fair, to take place in Brighton next October, writes David Fishlock.

The Department of Trade and Industry (DTI) is organis-ing the fair, which aims to facilitate international trans-ters of technology.

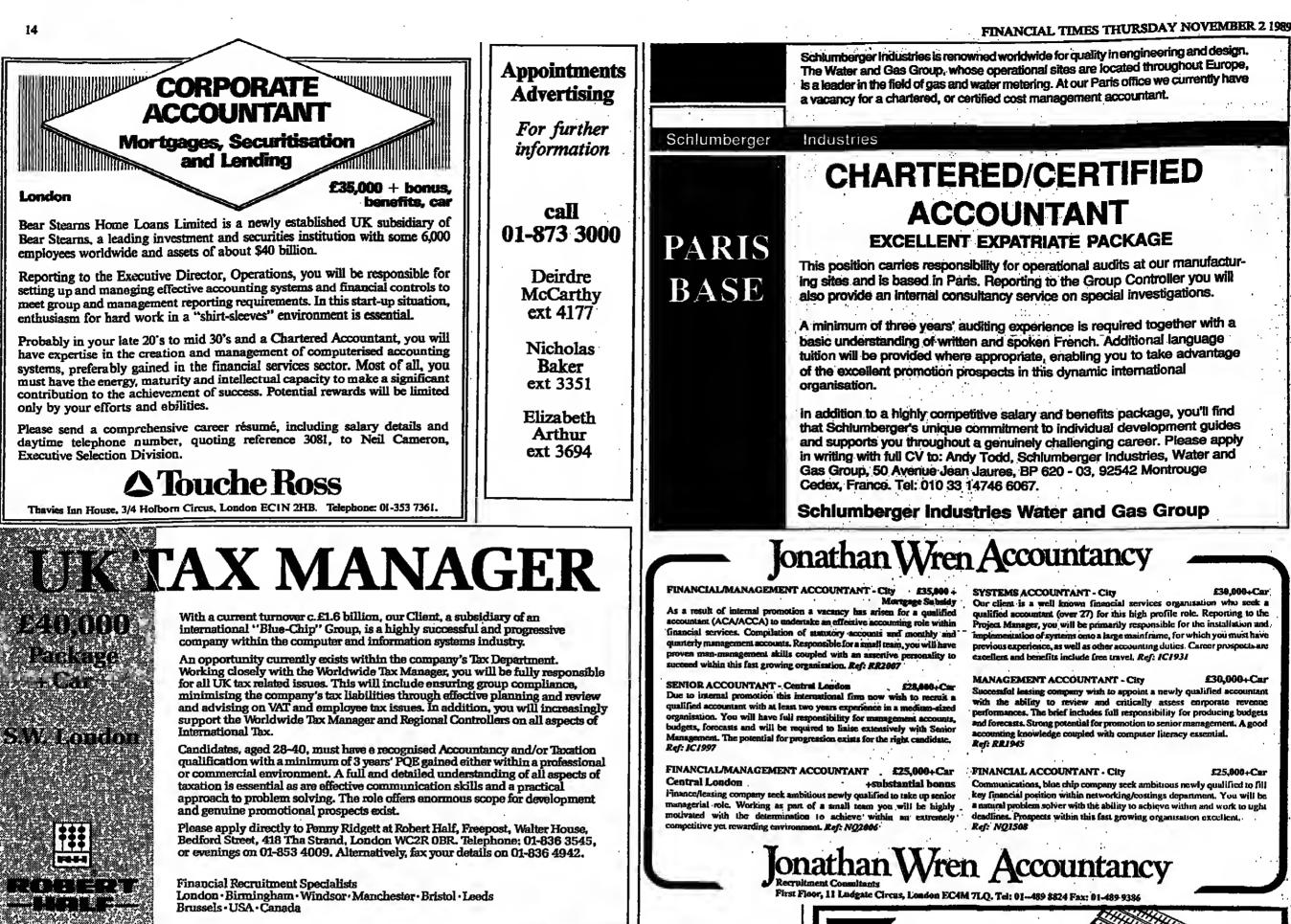
People and organisations with technology to offer will be invited to set up simple "stalis" where prospective licencees — particularly from the more entrepreneurial small and medium-sized com panies - can meet them.

panies — can meet mem. Their wares will be cata-logued before the fair, giving potential licensees the oppor-tunity to decide in advance who to approach. Exhibits will be restricted to models and wildow to approach ownthe and videos, to put the emphasis an negotiztions over intel-lectual property rather than

display of products. DTI officials say they have developed the idea of a technology licensing fair from similar events tried in the US elmil. and Italy, but without govern ment involvement. The DTI secured support for their experiment from the Financial Times, Finlay Publications, the Licensing Executive Soci-ety and the National Westmin-ster Bank. It will be organised by Independent Exhibitions.

Contacts: Barweti International: UK, 0954 30383, Pleesey: London, 478 3040. EGB: London, 992 9632. Kantone Paging: Hong Kong, 6 997 1111. Independent Exhibitions: UK, 0932 564455. Channel Communication; UK, 0929 2914455. 0932 231455.





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### **CINEMA**

# A crock of compromises

The Rainbow raises an urgent question. Do we prefer a Ken Russell who behaves himself or one who does not?

British cinema's licenced delinquent has adapted D.H. Lawrence's novel as if afraid that, at this stage in his career, his licence may be revoked any minute. Audiences concussed by recent Russell movies (Sal-ome's Last Dance, The Lair Of The White Worm) can approach this one without a crash helmet. It is well-mannered and respectful; and only occasion-ally punctuated by nude romp-ings, sex by waterfalls or blasts of Wagner on the soundtrack. But restraint is a mixed blessing When Wormer in Loca

hlessing. When Women In Love lannched Ruesell's movie career 20 years ago, the ex-TV wild child seemed twinned by destiny with the novelist of primal passions. The Rainbow is a "prequel" to Lawrence's other novel, chronicling the growing years of Ursula Brangwen and, less prominently, her sister Gudrun, who was played by Glenda Jackson in Women In Love

Jackson braezes acidly through The Rainbow as Ma through The Rainbow as Ma Brangwen. She and Christo-pher Gable as Pa – both Rus-sell veterans – hit a note that nothing and nohody else match: realism with a broad wink. They play up to Russell's love of hyperbole (hotably in tart or knockabout exchanges at the Brangwen dinner table) while never going out of char-acter. The film's prohlem else-

where is that the broad wink is largely missing. Tha book's greatness lies in a plainness of action lit up with with a transfiguring inner drama, like the central symbol of the landscape transformed by the rain-bow. Damping down his vande-ville surrealism, Russell never finds a way to project that inner drama. Nor do his younger etars. As Ursula, Sammi Davis - sloe-eyed, large-toothed and gushy-voiced - tries bravely to shovel charisma into a role scripted here

SADLER'S WELLS

Twenty-one years separate the

earliest work, Rainforest of 1968, from the most recent, this season's Cargo X, which fea-ture in the opening programme of Merce Cunningham's happy

return to Rosebery Avenua.

These, years have, seen Cun-ningitian the same hut ever and marvellously different in inviting us to look at move-ment. They have found his cre-

ativity constantly fresh and constant in being freshly chal-

Rainforest wears its years

lightly, like the floating silver

lenging.

Merce Cunningham

THE RAINBOW Ken Russell DEAD CALM **Phillip Noyce** WILT Michael Tuchner A CHORUS OF DISAPPROVAL Michael Winner

TWO MOON JUNCTION Zaiman King

to run along the single-gauge track of a "young girl's awak-

ening." The stations are predictable, nay inexoreble. Cruch on bisexual teachar Winifred (Amanda Donohoe with Mid-lands brogue and Brunnhilde braids); trepidatious romance with handsome army officer Anton (Paul McGann); self-dis-covery as a schoolteacher. Finally, with rainbow shining and Carl Davis's music syrup. and Carl Davis's music syrup-ing away, Ursula grows into womanhood and reaches out across the years to touch the childhood self with which the

film began. Scripted by Russell and wife Scripted by Russell and whe Vivian, the movie is too offen like Lawrence's *The Bathbow* done over by Reader's Digest, Arbitrary slabs of D.H.'e prose (in and out of quotation marks) are inserted into characters' mouths, so that everyona speaks as if fresh from a Great Literature finishing school. "What is the fantastic fulfil-ment you've hankering for?": "The darkness: were you afraid of it in Africa?"; "She was no more than an instrument for

his perverse sexuality." Dialogue like this no more approximates to finding a cinematic language for Lawrence than would tearing pages out of the novel and pasting them up on the screen. The few outright liberties Russell has taken with the original may be.

bizarre: notably a Lake District walking trip during which Winifred and Ursula stumble winned and Urshia stumple on a fey, eccentric painter (Dudley Sutton), who invites Urshia back to his place for some nude modelling plus optional spanking. ("Tha marks soon fade.") But at least such follies have a life of their own - or of Russell's own. At own - or of Russell's own. At the end of this rainbow, all we find is a crock of compromises. A director who seems desperate to signal a new, maturer bankability - overdraft facili-ties now running out on his name-making wackiness -impresses here only with a new, dismaying literalism.

In the splendid Australian thrillar *Dead Calm* nasty things happen to a young cou-ple (Sam Neill and Nicole Kidman) yachting on the mirror-calm Pacific. They come to recover from the death of their baby son in a car crash. They

stay to be manaced by a maniac (Billy Zane). The latter boards their boat from a nearby schooner, claiming his crewmates have all died from botulism. But we suspect other things: from the cut of his clothes (very cut indeed), his

clothes (very cut indeed), his overencited manner and his diabolically inky eyebrows. Director Phillip Noyce (Newsfront) and screenwriter Terry Hughes have reeled in an unfinished Orson Welles project, The Deep, and laid it panting on the deck. (The source novel is by Charles Wil-liams). They have then cut it up Hollywood-style and gener-ously garnished it with red herrings. Once Mr Neill is stranded alone on the burning mirror, while his uninvited guest makes off with his wife guest makes off with his wife and yacht, the chase is on and

nail-biting it is. nail-biting it is. Corpaes rear up out of bilge-water. Objects crash out of a clear sky. Rape may be the price of survival. And wa are especially moved by the part played by Ben the dog. This well-meaning canine fatally retrieves the yacht's ignition-key when Miss Kidman throws

Glenda Jackson in "The Rainbow

ARTS

it overboard and is later shown the sharp end of a harpoon in circumstances on which I, a dog lover, do not wish to dwell. The true scene-stealer, though, is cameraman Dean Semler. He turns the sky into a vast, pale, opalescent hangar, the sea into a silvered hot-plate on which three destinies sizzle. Even when the finale brings a chaos of twists and countertwists (never count a villain dead until he has gone down for the third, or possibly thir-teenth, time), the film's halln-cinatory beauty is worthy of a one-time Welles project.

Is there a cure for British movie comedy? Close on Get-ting it Right and The Rachel Papers comes Wilt: a film which conforms to its title over which conforms to its litle over 92 minutes, scorning the best efforts of Griff Rhys Jones and Mel Smith to keep things alert and upright. Directed by Mich-ael Tuchner, this adaptation of Tom Sharpe's comic novel abont a teacher accused of wife-murder fails to rise to any comic occasion despite the comic occasion, despite that presence of inflatable dolls, wacky parties, knockabout kung fu classes and foolish policemen. Griff and Mel jut their jaws like joke-diviners in the direction of anything

potentially funny, but few

The week's funniest film -

no contest – is Zalman King's *Two Moon Junction*. From the writer-producer of 9 1/2 Weeks comes this piece of shimmering lunacy: tha tale of beautifu Southern heiress April (Sheri-lyn Fenn) and the hunk of

"I don't know where I'm going, but I can't wait to get there" says someone: summing up my feelings exactly. Mark Plummer does the handsome photography. Burl Ives, Louise Fletcher and Millie Perkins add veteran lustre to the cast. Two hours of foolish, disposable

**Nigel Andrews** 

### Kurtág Portrait ALMEIDA/BARBICAN

While the South Bank is revelling in György Ligeti, the Barbican's "Magyarok" festivi-ties include a whole mini-festival of music by his Hungarian compatriot György Kurtag. Nobody at tha Barbican seems able to pronounce their own title correctly: try "Modyo-roak" - first syllable stressed, last kept short. "Mini-festival" isn't quite right either; in fact it's a maxi-festival of Kurtág – more than half his published works, in five concerts – but be writes (painfully slowly) very short pieces, though often in rich, extended sets, and nearly alwaye for chamber-size

groups or soloists. Like Ligeti, he is among the few seriously original compos-ers of our time, and for most ears instantly engaging too. Lucky music-lovers might still find tickets for the remaining concerts tonight, Saturday and Sunday at the Almeida Thea-tre. The participation of Kur-tage favourite performers is a great feature here, for his laconic style relies upon insightful performance. The least phrase must tell, whether as a brick in an abstract struc-ture or as a dramatic gesture, fortent innic or deprecedure fervent, ironic or deprecatory - and often all of those. From Webern's music Kur-

tag learned the art of paring-down to the fewest possible notes; from Bartók's, a wholebearted respect for actual sound and expressive sinewe, inspired above all by the cadences of Hungarian diction (and more recently Russian, in the poetry of Rimma Dalos). When stamped with live conviction, his musical paragraphs have a scathing impact which bypasses mere theory; also sharp, unpredictable wit, an infectious delight in purely musical games, and inexhaust-

ible invention. At the end of the 1960s Western Europe discovered Kurtág, and since then his work has been so often admired on this page that I won't dwell upon the soprano Adrienne Csengery's phenomenal resource in his impassioned Dalos cycle Messages of the Late Miss R.V. Troussoon on Monday, nor the lithe brilliance of Zoltán Kocsis in the Eight Piano Pieces op. 3, ending with an explosion of forearm-chords and glissandi. (Tonight Miss Csengery and the violinist András Keller repeat their magnificent communit of the horn long Kaffa account of the hour-long Kafka Fragments, op. 24, and on Sun-day – with cimbalom and dou-hie-bass – the great Dalos

cycle Scenes from a Novel op. 19.) Some new and/or unfamil-iar Kurtág has been no less

exciting. On Tuesday James Wood's New London Chamher Choir made tha op. 16 Omaggio a Luigi Nono not only precisely. dramatic but quite ravishing, and in the op. 23 Choruses after Dezsö Tandori - a more deliberately artful cycle, com-missioned by the BBC a few years back - they outshone the original performers by a long way. The other perfor-mances by Miss Csengery were as usual extraordinary: naked candour in the unaccompanied but far-ranging Attila Jözsef Fragmenis op. 20, wry sympa-thy for the op. 25 Three Old Inscriptions (epitaphs, one of them spotted by Kurtág on an ancient Transvitanian mandel ancient Transylvanian mangle) and wrenching intensity in the new Dalos set op. 26, Requiem for the Beloved.

Tuesday's concert also included László Sáry's 1968 Quartetto for flute, violin, cimbalom and Csengery - inge-nious, but in unfair comparison with Kurtag a bit short of character – and the senior composer's four stark Pilinszky Songs op. 11, delivered to potent effect by the young bari-tone Claudio Danuser. Richard Bernas conducted his Music Projects/London ensemble with even-handed expertise, but it would be unfair to almost any recent composer to programme him along with Kurtág, who bas the advantages of supremely refined technique, maturity and idiosyncratic

genius. Monday's concert gave us Monday's concert gave us the almost-latest Kurtág, his op. 27 mini-concerto for piano (Kocsis) "...quasi una fanta-sia..." with ensemhle (the Lon-don Sinfonietta, conducted hy Sian Edwards) stereophonically dispersed around the hall. Descending C major piano-scales at the start, dangerously innocent, and soon set against a background of fraught whispers; then a stuttering machine-gun Scherzo, and a Recitativo with minatory brass (inspired, apparently, by Xenakis's *Eonta*); finally a return to the frail scale patterns in a newly elevated mood. One's expectations for the notional full-dress plano concerto commissioned from Kurtág, years ago now, are keener than ever - but we are probably in for a long wait

**David Murray** 

### Julia Fordham

### HAMMERSMITH ODEON

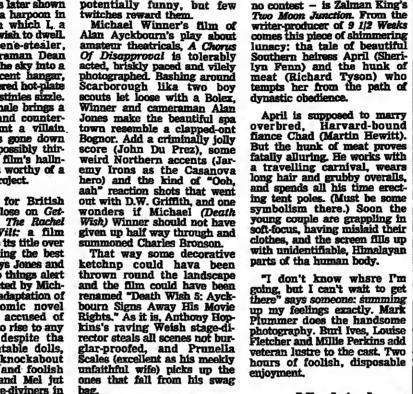
A Tuesday night in West A Tuesday hight in west London begged the question: What is a nice person like Julia Fordham doing in a place like the Hammersmith Odeon? For-dham's bitter-sweet songs and brittle melodies were lost in its wide comp unceed. Although wide-open spaces. Although not helped hy a curiously under-powered sound system in the early part of her set, Fordham fought hravely against the elements although her painful lack of a strong stage presence and rather ganche style of delivery left the evening firmly encamped in

niscent of Getz/Gilberto and is "Only for Yon," and the sprightly "Lock and Key," all from her new album "Porce-lain." Unfortunately, a good deal of the remainder of her meartolize merges into a seem

# A Life in the gilded box. Unlike the other early Mamet at Hampstead recently. (The Water Engine), the play expands to fill the evening. Robert (Elliott) is kicking his heels after a First Night with the new boy John (West). A fencing match of hollow com-pliments flares in a safety valve of insult directed at the actress who made Robert look actress who made Robert look







Yarhol lows that are its décor. It is not the Can-ningham of today, for it appears rather tight in its inventiveness, without tha scale or the horizons that later pieces reveal to us. It is, nonetheless, a wonderful visual con-ceit as the dance unfurls its incidents, and a supine girl is gently rolled across the stage, or Chris Komar moves with the stiff-legged, prancing walk that is a signature of his role. The dancers inhabit their mysterious gleaming world with the intentness that is essential to Cunningham's casts, who so often appear like communities

caught up in secret rites. This sense of a private creation is very strong in Cargo X and in the Fabrications of 1987 which form the rest of the programme. I did not much enjoy Fabrications on Cunningham's

ARTS GUIDE

### EXHIBITIONS

#### London

The Hayward Gallery. Andy Warhol - two years after his death, a comprehensive retro-spective of the career of this sem-inal yet ambiguous and still con-troversial artist, since he turned to peinting from graphic design in the early 1960s. Sponsored by BP. Until November 5. The Royal Academy. The Art of Photography 1839-1869: in cele-bration of the 150th anniversary of the first practical demonstra-tions of the medium, this large and impressive exhibition leads and impressive exhibition leads the visitor through the practical developments and aesthetic variations and experiments in the use of the medium, from the work of the earliest pioneers in France, England and Scotland, up to the present. Daily until December 23.

#### Paris

Biron - contains the life work of Auguste Rodin, whose power-ful genins opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Baizac, draped in his clock, defles time. 77, rue de Varura (Caced Tue Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of mean-dering the world over, the exhibidering the world over, his called tion ends, aptly, in Paris. The 40 sketchbooks covering a period, of 64 years follow closely Picas-so's development. 107, Rue de his cloak, defles time, 77, rue de Varenne. Closed Tue. Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tulleries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. 1, rue de Belle-chasse (35694314). Closed Mon. Galerie d'Art Saint Honore. Lucreta. Setting off the white Rivoli (42603214), closed Tue. Ends December 31. Musée des Aris Decoratifs. Bohemian glass 1400-1989. Some 200exhibits, among them the famous ruby-coloured glass, show how makers of Bohemia carried the Lucretia. Setting off the white androse-coloured body against art of cutting and angraving and painting to such perfection dur-ing the baroque period that the renown of Bohemian crystal cona deep black background, Lucas Cranach the elder dares to paint at the beginning of the 16th cenmered countriesas far apart as

one mom knees rocks to and fro as a man holds her, her arm across her face, and is then carried off, and we might be watching part of Cunningham's Orpheus And Cunningham himself moves through the dance, sometimes a magician casting spells, sometimes Father Wil-

spens, sometimes rather, whe liam, and always gripping. *Curgo X* begins with its cast of seven standing near a lad-der. They dance; they gradu-ally decorate the ladder with yellow chrysenthemums; they move the ladder, their rituals become gravity destrict an become engrossing, despite an obnoxiously loud score. At the end they take the ladder off stage. We have seen something inexplicable and beautiful happen. And that is typical of every Cunningham evening.

Spain and America, Egypt and Ireland. 107, rue de Rivoli (42603214), closed Tue, ends Jan

The Louvre. Arabesques et Jar-dins de Paradis. The beauty

mins de Parana. The deauty ambrichness of nature is e leitmo-tiv which runs through Islami-cart from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15

(4026817). Institut du Monde Arabe. Egypt-Rgypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-sempter continues with

middle-empire, continues with

middle-empire, continues with a guiden crown of a high priest of Osiris with some elements of Roman art and Coptic icous and concludes with islamic exhibits 1, rue des Yosses Salut-Bernard (closed Mon). Ends Jan 14 (40513838). Musée Rodin. A delightful 18th century townhouse - Hotel

century townhouse - Hotel Biron - contains the life work

Peter Nichols's Chez Nous in 1974) and young tyro Samuel West (grandson of Lockwood, son of Timothy and Prunella Scales) relates the shifting alliance of an old pro and young pretender to the gorgeous illu-sionary backstage world of Molnar, Pirandello and, crucially, Rattigan and Frayn. For this is the lost world of

English turn-around weekly rep described by Michael Blakemore in his novel Next Season and theatrically memorialised and the drawing memory memory and the drawing of th give us illuminated dressing room tables, flying scenery, and a featureless brick stage door area, all floating in a dark yoid of an empty theatre with Clement Crisp | footlights and the hint of a

The backstage shift of power, hinging on a batch of good reviews for John ("What do they know," is the gist of Rob-ert's resentment, "They don't even buy a ticket" - and I wouldn't, not at £17.50) needs a little more steely nastiness, but the interval may be scuppering

Tuesday's Haymarket audience had enjoyed with a vengeance the early post-gin-and-toulc declaration that "all artistic experimentation is

The play excerpts we see are cod approximations of drawing room comedy, elemental cliffhangers, Elizabethan mock-ups and an unconvincing, though funny, medical sketch in which, after a disastrous six-page jump, Robert declares through gritted teeth, "I can't

Fundacion Caja de Pensiones. International art. Exhibition of

nuseum's holdings acquired since 1985, including works by Forg, Euber, Mucha, Deacon, Klefer, Polke, Cucchi and Merz Closed Mon.

Kunstverein, am Markt 44. A

"Prospect photography" to cele-brate the 150th anniversary of the invention of photography

with 130 works from around 30 photographers and artists. Ends November 26

Städtische Galerie im Lehmbach-

hans. The most complete retro-spective of the expressionist painter Karl Schmidt-Rottluff

o date with almost 370 works

from 70 private and public collec-

Stadtisches Kunshnuseum, Rathausgasse 7. Glanzlichter, 40 years of government support

the Italian artist and architect. The theme is focusing on "The

Other city". Until Jan 15.

for art. Ends Nov 22.

mporary art from the

Barcolona

Frankfurt

Kunich

Bonn

Vienna



October 27-November 2

Washington

Chicago

National Gallery. A major inter-

national collaboration showing the major works of Frans Hals outside the Netherlands for the

first time starts here with more than 60 paintings. Ends Dec 3.

Art Institute. Fixing the Shadow shadows the history of photogra-phy at its 150th anniversary. Of

the millions of possible contribu-tions, the exhibit focuses on 400

pieces by 200 photographers organised chronologically. Ends

Samuel West and Denholm Elliott

see a curious growth on his spleen for some time yet." That hilarions area of smooth camouflage and upstage desperation prompted by missed sound cues and failed cigarette lighters is ecstatically relayed by Elliott, who also has a field day as a Gielgud clone in a bath chair

and furny hat, seething with wrinkle-nosad tetchiness. While avoiding over-the-top old-laddie-ness, this really wonderful actor, returning in triumph to the boards, conjures a vanished world of superstition, ephemeral reality, and regret.

**Michael Coveney** 

the ordinary. A former member of beehive beauties Mari Wilson and the Wilsations, Fordham arrived last year as a solo artist on a wave of female singer-songwi-ters. A contemporary of Tracy Chapman and Tanita Tikaram, her sound has been compared to that of Anita Baker and Joni Mitchell, although she lacks the soulfulness of the former and the clever, catchy, quirkiness of the latter.

Fordham's music is pleasant enough. Some songs stand up well, notably the sassy salsa of "Genius," which wasvery remi-

repertoire merges into a seam-less, dreamy whole. In live performance Fordham does httle to flesh out the rather slight recorded versions, although the strength and flexibility of her voice impresses. The central problem with

Fordham's music is the lack of variety in the subject matter of her songs. She paints a picture of a prond, independent woman, yet one who appears to break her heart over a man at every possible opportunity. This works well on the ironic, feisty, "Woman of the 80's", her best known song and now probably condemned to be the Fordham "anthem" for the rest of her career. But this theme repeats itself throughout much of her work, until it becomes self-conscious and just plain weedy.

Patrick Harverson

Concern over losing our heritage Two of our great cultural It has made it a starred item, a watchdogs released their new category it has devised for annual reports yesterday, English Heritage and the Reviewing Committee on the Export of Works of Art, and both spoke of enccesses achieved against a depressing financial background. Lord Montagu, chairman of

English Heritage, was most pleased with finally reaching agreement with the Ministry of Defence over access to its planned visitor centre at Stonehenge, its most popular site. It is now looking for sponsors to

make the centre a reality. On the debit side Lord Montagu is concerned about the **Kings Cross Railway Private** Bill, currently going through Parliament, which suspends all the statutory protection of the heritage - listing controls, scheduling controls, planning and conservation controls from the project, and creates a new, over powerful, class of developer.

There was also concern at the lack of clarity in the law concerning the removal of inte-gral fixtures and fittings from a listed building. This is an obvious reference to the Three Graces by Canova which has been detached from its plinth at Woburn Abbey with tha hope of a sale to the Getty Museum. The Export Committee also

expresses concern about the nation losing the Three Graces.

especially important works of art threatened with export. The invention of a star system shows that the Committee is resigned to losing overseas some items vital to the national heritage and is estab-lishing priorities. Last year it starred Benjamin West's por-trait of Sir Josaph Banks, which was finally kept in the UK, as well as the Three Graces, which, priced at £7.6m, could still disappear to California.

As ever the Committee expresses well argued fears for the future with a review of a year in which few masterpieces were lost abroad. In all it considered 26 important works of art bought in the UK for dispersal overseas and it deferred an export licence on 15 of them. In seven cases the work of art was subsequently saved for tha nation by a museum raising a sum that equalled its market value.

Among the treasures lost were Turner's "Seascape Fol-kestone," which carried the impossible price tag of £20m, more than the collective purchasing grants of all the lead-ing British galleries and museums; a painting by Lawrence of the Prince Regent; and a 14th century Psalter made for the Countess of Northampton.

Antony Thorncroft

tury in Luther's town a disturbengravings by Sean Scully, one of the most important figures in the new generation of abstract artists. Ends Nov 19. Closed Mon. ingly beautiful Lucretia. 367, rue Saint Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends Dec 15

#### Martigny

Fondation Glanadda. A Henry Moore retrospective of some 50 sculptures, 60 drawings shown in rotation and 60 engravings is as impressive by the judicion selection of exhibits, as by the exceptional location for 12 of the monumental statuse to a the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (025-223978).

#### Brussele

Buropalla Japan 80. Having cele-brated the art and culture of Austria two years ago the Buro-palla turns to the east this year, bringing to Belgium the most spectacular festival of Japanese arts outside Japan. Ends Dec 17.

#### Antwerp

Museum of Modern Art (Muhka) 32 Leuvenstraat. New tools - New Images: art and technology in Japan today with installations by Tatsuo Miyajima, Tsuneo Nakai. Closed Mon, ends Dec 3. Madrid

Fundacion Juan March. Retro-spective of Edward Hopper opens the autumn season at the founda-tion. 61 works by the New York realist covering a period of 56 years. Until Jan 4. Palacio de Velazquez. Some 22 paintings and 20 drawings and

mainly in wood, produced by 66 different tribes spread throu central, western and southern Africa. Ends Oct 29. Palazzo dei Conservatori, Campi-doglio. Giuseppe Caracchi (1751-1801), Jacobin sculptor. The exhibition includes a touchin-geye-witness skotch of Caracchi New York and co-conspirators in a plotto assassinate Napoleon standing at the foot of the steps to the guil-Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pio-neering Cubism consists of more than 350 works of the two artists during their fruitful collabora-tion before Braque left for war. Ends Jan 16. lotina. Until Nov 12.

Venice

Rome

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhi-bition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Pal-azzo Grassi, Pontus Hulten. Knds Nov. San Giorgio Maggiore: Hogarth - a beautifully chosen study of the life'e work, prints, drawings and peintings, of the first great English artist of the 18th century, William Hogarth, organ ised jointly by the Cini Founda-tion in Venice and the British Council. Until Nov 12.

Mantun Palazzo Te, Truttiere di Palazzo Te, Reggia Gonzaghesca. A vast exhibition devoted to Giulio Romano, Raphael's favourite pupil, who spent the last 20 years of his life in Mantua, producing

masterpieces of architecture. painting, engraving and fresco. Ends November 12. Museum for Applied Arts is bost-ing a large exhibition devoted to the works of Carlo Scarpa.

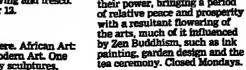
### Florence

Forte di Belvedere. African Art: The Roots of Modern Art. One hunded and fifty sculptures,

National Museum. Art of the Muromachi Period (1334-1537). Major exhibitioo featuring some Major exhibition reacting some 400 works from the period when the shoguns had consolidated their power, bringing a period of relative peace and prosperity with a resultant flowering of the arts, much of it influenced the for Buddhiem such as ink

Nov 16.

Tokyo







FINANCIAL TIMES

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Thursday November 2 1989

## Goals for the stock market

THE INTERNATIONAL Stock Exchange's proposals for its primary markets show the ISE moving in two directions: it is making listing easier for big foreign companies, but more difficult for small domestic

This is a logical commercial approach for a large market place which is seeking to move more squarely into the path of global (and, more specifically, European) securities traffic. But the question is whether the decision to kill off the Third Market is the conse-quence of lack of demand from investors or the corporate sec-tor or simply reflects the hureancratic inability of the ISE to cope.

Until a few years ago, the London Stock Exchange was rigorous in applying strict list-ing rules in areas like disclosure, accountants' reports and protection of shareholders' protection of shareholders rights in new issues. It could sustain this approach so long as a London listing carried an element of prestige, and so long as its member firms could prosper on a limited volume of hasiness.

Since the Big Bang changes three years ago, however, there has been an urgent search for new business to remunerate the much larger volume of cap-ital invested in the market, and to counter the impact of sharply increased competition on commission income. Lon-don can no looger afford to be

### **Community standards**

At the same time, the increasing role of the European Commission in setting stan-dards for the Community's cap-ital markets has eroded the ISE's scope for individuality. The EC's are minimum stan-dards, so London could still continue to impose more restrictive requirements. But the new directive on mutual recognition opens up the possi-bility that the tougher require-ments could be by-passed. Most Continental bourses accept a three-year trading record against London's five-year min-imum, so London could find itself being forced to accept for-eign-listed companies which would not have qualified for a direct flotation. A three-year minimum is therefore proposed

for all companies. This argument is logical enough, but the practical

importance seems limited. It is hard to imagine the London stock market being flooded with half-fledged Continental stocks. The proposal should rather be seen as reflecting the ISE's ambitions to expand on the Continent, which it cannot do unless it is prepared to adopt Continental standards. Indeed, the ISE admits to being

"anxious" to facilitate the list ing in London of major foreign companies, as a support for its SEAQ International market in stocks listed elsewhere. In due course, the listed market and SEAQ International could be merged. Given the commercial problems of many member firms in London it would be churlish to criticise these ambitions. But it is a reminder that as self-regulation wanes in strength in the face of commercial necessity, so the responsi-bility of the statutory regula-tors will increase.

Third Market

As for the Third Market, this

As for the Third Market, this has proved to have a short life. Cynics might say that the Stock Exchange only absorbed the old nnstrnctured over-the-counter markat in order to kill it off after a decent interval. In its defence, the Qnotations Committee argues that the USM will be able to accept most of the existing Third Market compa-nies. But there will be no wel-come for new candidates. come for new candidates.

The ISE is conscious that by The ISE is conscious that by moving out of the bottom end "there would be a risk that less qualified and experienced oper-ators might establish markets to attract companies not quall-fying for listing, with disbene-fits for all market participants, especially investors." But it is more easily arguable that the Exchange should get out of areas where it is not capable of doing an economic joh, and let doing an economic joh, and let others have a try. The ISE's overheads are too high for it to handle small markets, as its difficulties with its indepen-dently-minded subsidiary the London Traded Options Market have shown.

It is a pity that in expanding into the international market the ISE is so concerned to sup-press domestic competition. The risks of a new fringe mar-ket would be high, hnt tha attractions or otherwise are for properly informed investors to judge, not the ISE.

succinct resignation speech on Tuesday was the most electrifying parliamen-tary occasion I have ever witnessed. It gained from being delivered from a few scraps of paper, not weighed down by briefing material.

The speech should be read in full, both for manner and sub-stance. ("I have made my share stance. ("I have made my share of mistakes but am content to be judged when the passage of time has provided a greater sense of perspective.") He risked going above the heads of his andience by dwelling on whether the exchange rate was part of the system of market freedom or part of the frame-work of financial discipline. But the gamble paid off. He was specific on the need for the earliest practicable full UK membership of the Euro-

pean Monatary System, but wisely left open detailed issues, such as whether to join now with a wider band, like Italy or Spain, or in a few months' time with normal margins.

with normal margins. But there were also telling remarks on domestic matters. He warned that the economic cycle would always exist. A downswing had hegun, although it would not be as there as there is 1020 St. A dull sharp as that of 1979-81. A dull 1989 and a difficult 1990 would be followed by a renewed long term upswing. It is sad that Mr Lawson will

not throw his hat in the ring for the highest national office of all. But we are not so rich in national or financial states-manship that we can afford to lose him from the public policy sphere. To adapt a remark of Othello: he still has the state

otheno: he shill has the state some service to do. My impression, from listen-ing to the speech, is that the project for an independent Bank of England was just one of many of his ideas rejected by the Prime Minister in their curious relationship. Not all were on high finance; some were negative as well as posi-tive. Close readers of the politi-cal columns will recall that Mr Lawson was one of the few ministers who insisted that the poll tax would be a political disaster; and that be was pre-vented from limiting mortgage

relief to the basic rate of tax. These supply side issues will live on. Mr Lawson was able to counter criticism of the distor-tions in the British housing market, from bodies such as the IMF and the OECD, hy observing that mortgage inter-est relief was withering on the vine. For thanks to his insistence, the ceiling has been stuck at £30,000 since 1983 and its value has been undermined by rising property values. The tabloid press is now fan-

ning hopes that the Prime Minister will try to reopen the issue and and that the next Budget might contain an increase of the ceiling to £45,000 and also special help for the first-time buyer. If such bribes are enacted, the Conservatives will have no more claim to be the party of market

### ECONOMIC VIEWPOINT r Nigel Lawson's

not down

### **By Samuel Brittan**

the Prime Minister. He believed that the successful conduct of economic policy was only possible if there was - and was seen to be - full agreement between the Prime Minister and the Chancellor. European federalist than Margaret Thatcher. But whereas Mrs Thatcher, like other Prime Ministers before her, has clung to the Churchillian special relationship with the US, Law-son has always seen Britain's future as lying with Europe. 2. The EMS is not just a This essential requirement could not be satisfied so long

technical currency issue. For if the Government could only as Sir Alan Walters remained her personal economic adviser. her personal economic auvier. Contrary to some suggestions, resignation was, said Mr Law-son on Tuesday, "not the out-come I sought," and he spoke wryly about the "hard landing" the Government could only give some indication that it was likely to join the Exchange Rate Mechanism within a stated time, other Community countries might well agree to put the brakes on French mount towards an early and that followed. moves towards an early and federalist monetary union. 5. Some senior officials favoured Sir Alan Walters' Otherwise, the Community is likely to go ahead without Britain, even if it means a sepreturn, believing that a free exchange of views in Whitehall would be better than mysteri-

would be better than mysteri-ous telephone calls from Wash-ington. Unfortunately this did not work. Officials found Sir Alan tacitum at meetings and could only speculate on how he was briefing the Prime Minis-ter when they saw reports by his sympathisers in the press. 6. Many economists who sympathise with Lawson regret that the immurance of the exarate treaty. We would then then have a two-tier western Europe, which would be no help in bringing the wider Con-tinent together. 3. The Prime Minister's habit of dwelling on every mote in the European neighbours' eye makes people fear that she hopes to postpone entry indefinitely. Pegged exchange rates, such as the

were speculating on Sir Alan's views as if they were more important than those of the appointed Chancellor. Mrs Thatcher famed this speculation by remarking last May that the UK had picked up its recent bont of inflation through shadowing the Mark, an observation in keeping with her adviser's known views. 7. Indeed, I know of no pre-

cedent to the systematic under-mining of the Chancellor which took place in the year and a half up to his resignation. One of the worst exam-ples was the reports the week-and after the last base rate increase to 15 per cent, which suggested that either Mrs Thatcher and/or Sir Alan did not support the move and were not prepared to use interest rates or intervention to stop stesling from falling further. 8. Any old hand in these scholastic debates will realise that the zealots for monetarism

that the zealots for monetarism in one country were conduct-ing a campaign against the for-mer. Chancellor and his exchange rate policy and that they had supporters in Number Ten. Worst of all, the more populist opponents of Lawson were allowed to get away with suggesting that devaluation was an alternative to demand restraint at home. 9. By contrast, Lord Kaldor. Some scientists argue that it is only a matter of time before mankind creates a machine capable of thinking and feel-ing. In their view, the fact that we are composed of flesh and blood is a biological accident. This is just the "hardware" of

9. By contrast, Lord Kaldor, when advising the Wilson Gov-ernment, did not allow stateerment, on not allow state-ments about the pound to be attributed to him or any other adviser; and the devaluation campaigners of the time (of. whom I was one) emphasised that it was not a soft alterna-tive to domestic restraint.

ingly complex mathematical instructions or algorithms. In principle these algorithms could be run on electronic hardware. If this were done, 10. The prevailing atmo-sphere has been immensely damaging to the conduct of policy. The key word is "credi-bility." When a Government's our consciousness and sense of personal identity would be transferred to a machine. Believers in this strong form of artificial intelligence (known policies lose credibility, inter est rates have to be raised much higher than they other wise would to protect starting, and the the feasible range at which the pound can be defended fails lower. Each for short as "strong AI") see it as a liberating doctrine. After all it offers the prospect of eterrecent increase in base rate to protect sterling was undernal life in this world rather than in an uncertain hereafter.

mined by widespread market doubts abont the extent of Lawson's support at Number And they take comfort from the amazing achievements of computer science in recent Ten. As a result the pound weakened more and interest decades; machines can already defeat grandmasters at chess.

rates had to rise still further, thus creating further doubts, 11. It is in this precise sense that the undermining of the former Chancellor worsened Mr Penrose has little sympa-thy for strong AL He does not think computers are ever likely to attain consciousness as we understand the term. But in attacking the theory, he makes no appeal to religion or other the prospects both for inflation and for jobs. This is one more example of how the mix between prices and output in any nominal framework forms of metaphysics. On the contrary, he wants to show that strong AI is flawed as a scientific theory. This proves to be an extraordinarily diffiwhether hased on domestic monetary objectives, the exchange rate or a mixture of the two - worsens if confi-dence in the government's sticking to its framework is cult task. The author tries two tacks. The first is to undermine confiundermined

dence in the explanatory power 12. There was no need to 12. There was no need to expect an immediate further weakening of the pound with Sir Alan Walters gone, the new Chancellor, John Major, pro-claiming 'no change,' and the reassertion of Cabinet Govern-ment bringing slightly forward the prospect of full EMS mem-bership. Sterling is already near or beyond the extreme lower limit commatible with of conventional science. To do this, he takes the reader on an exhilarating tour of the theo-retical edifice constructed by such giants as Galileo, Newton, Einstein and Schrodinger. The discussion of classical mechan-

### FINANCIAL TIMES THURSDAY NOVEMBER 2 1989

### BOOK REVIEW The miracle of consciousness

ne of the penalties of adulthood is that we THE EMPEROR'S NEW tend to lose our sense By Roger Penrose of wonder. Absorbed hy humdrum tasks, we take both the Oxford University Press £20 existence of the physical world and the miracle of our own

and the minatte of our own consciousness for granted. Some people even adopt the defensive posture that it is foolish to ask questions about such fundamental matters. In - the twin triumphs of 20th century physics - are incompatible. In particular, contemporary theories seen incapable of explaining the the Emperor's New Mind, Roger Penrose, the Rouse Ball professor of mathematics at operation of our minds. He speculates that the way for-ward lies in the creation of a Oxford University, offers a new theory of "quantum grav-ity." Such a theory, he sug-gests, might shed light on the marvellous antidote to such defeatism: a rigorous yet infor-mal discussion of the big mys-teries of science and philosophenomenon of human con-sciousness and thus help explain why wa differ from machines. Unfortunately, his description of the content of phy. I fail to see how anybody can remain unmoved by the book's central theme, which concerns the nature of human beings.

such a theory is vague in the extreme.

MIND

Mr Penrose's second line of attack is mathematical. Com-puters work by manipulating data according to systematic rules known as algorithms. This means they can mimic human beings only if all our thinking is algorithmic. But even in mathematics, argues Mr Penrose, where we appear to be at our most logical and rational, much reasoning is inspirational rather than mechanical. By appealing to a famons theorem proved by Kurt Godel in the 1930s, he claims to demonstrate that mathematicians cannot rely on algorithms to judge the truth or faisity of propositions. In some mysterious way, they directly perceive mathematical

truth. Computers, by contrast, are blind manipulators of sym-Like Mr Penrose, I find it

difficult to believe that we are merely "meat machines." But I do not think disciples of strong AI will be impressed by his arguments. He does not show that a mathematician canno be using an algorithm when he shouts Eureka, merely that the algorithm could never be known to him. Likewise, his criticisms of existing scientific theories leave the status of computers entirely open. If we don't understand the phenomenon of consciousness, how can we be sure it cannot be anjoyed

by a machin But whether Mr Penrose stahlishes his claim hardly matters. His style is relaxed and entertaining. There are and entertaining. There are nuggets on almost every page. For example in discussing the origin of the universe, he points out that the probability the initial Big Bang would have resulted in a universe of the kind we inhabit is unbe-lievably tiny; one divided by a



### **Lessons** for **Ms Bhutto**

MS BENAZIR BHUTTO, the Prime Minister of Pakistan, managed to survive yesterday's parliamentary vote of no confidence. But, after 11 months in office, she has not yet convinced her countrymen of the value of democracy.

In her defence, it must be said that she inherited a multitude of problems. Eleven and a half years of military rule saw a series of short term measures designed to ward off economic and political crises. Excessive horrowing at high interest rates, often merely to pay the wages of government officials, created a domestic deht of ore than \$19bn. Social sector funds were cut to finance servi-cing payments and the military hudget, which together ate up more than 80 per cent of current expenditure. The consequence is that

Pakistan today has one of the world's lowest literacy rates (officially 25 per cent and fall-ing fast). Mortality rates are also poor and one child in five will not reach the age of five. Unemployment is 25 per cent and there has been no attempt to restrain South Asia's highest hirth rate (officially 3.2 per

cent). Ms Bhutto's political position was also parlous. Her party, the PPP, controlled governments in only two of the fonr provinces. Troops had been used to suppress growing ethnic problems in her home province of Sindh, further fuelling resentment. The threat of a fourth imposition of martial law remained ever present.

#### Political activities

However, Ms Bbutto, whose election manifesto spoke of socialism and universal education, whose main support base was, and still is, the poor, and who came to power on a tide of international good will, was expected at least to tackle some of these shortcomings. It has not helped that she has concentrated so much on

exclusively political activities, mainly by trying to depose Nawaz Sharif, the opposition leader, who heads the government of Punjab, the largest province. Mr Sharif, in turn, has used all the tricks in the book to destabilise her national and provincial governments.

Ms Bhutto also created, for political reasons, the country's biggest ever cabinet with more than 70 ministers and advisers. Some of these have taken advantage of office to indulge in the same corrupt practices as their predecessors. Ms Bhntto's fear that the army, civil service, business commu-nity and President would be hostile to the PPP has, as a result, become self fulfilling. Troops are once more maintaining order in Sindh. For all As Bhutto's professed belief in foreign investment as the answer to many of Pakistan's problems, she has not created the stabla conditions that

would encourage it. Her external policies might seem to have been helped by greater sympathy from neigh-bouring India and from by being readmitted to the Com-monwealth. But, in domestic eyes, her perceived closeness to Washington has been a lia-bility. Both her policy towards Afghanistan and her widely publicised "war on narcotics" are regarded by many as both untenable and as principally dictated by the US.

Limited mandate

fare.

Ms Bhntto said yesterday that "the vote has shaken the country," hut it is her own con-fidence that has been the most severely dented.

The opposition, growing in strength since the elections, can be expected to try again to unseat her. She should, there-fore, be asking herself why all her former allies in the strug-gle for democracy have des-erted her. She should accept that she won only a limited that she won only a limited mandate last November and build on that by achieving necessary reforms rather than proud. concentrating on political war-

Similarly the opposition should respect the fact that she is the elected leader of the country and allow her some time to govern. By offering mil-lions of rupees to win the sup-port of members of parliament, both sides are guilty of having cheapened democracy in the eyes of the people. They should realise that the war is badi became a monk.

**Ouiet Walters** realise that the men in khaki ■ Sir Alan Walters, the may not remain content on the to Margaret Thatcher, seems

forces than Labour; and the resulting distortions will haunt the post-election Chancellor and spoil the next upswing. A great preventive responsibility lies with the senior Ministers who are now proclaiming their collegiate spirit. Now for some of the specific European and financial issues

behind the resignation. 1. Nigel Lawson is no more a

### How to upset the IMF

■ There is a strong view among Finance Ministers, past and present, that the annual meetings of the World Bank and the IMF should always be held in Washington. Cur-rent practice is Washington two years in a row, then elsewhere. The pro-Washington lobby may be reinforced by the news

may be remored by the news from Bangkok, where the meet-ings are due in 1991. It had all seemed fairly straightforward. The venue was to be the Central Plaza Hotel complex, half way between the airport and the centra of what is one of the centre of what is one of the world's most congested and polluted cities. The Thai Cabinet, however, has now accepted an out-of-the-blue pro-posal from its own Finance Minister, Pramual Sabhavasu, to build an entirely new state

of the art conference cenire on one of the few patches of open greenery left in the city centre. The initial estimate of the cost is around £40m. And, because of the obvious time constraints, the Cabinet has waived the rules on competitive tendering and told Pra-

mual to chose whomever be liked to do the job. To cries of foul from opposition politi-cians, the Minister has picked a company called Design 103. It has 20 months to design and build from scratch a 40,000-50,000 square metre facility of which the nation can be

But, as the local press has pointed out, the head of Design 103 has fared worse. A few out against the reforms that have been sweeping much of the rest of Eastern Europe. years ago, be was shot and seriously wounded in a dispute over a multi-million pound The Czech Philharmonic Orchestra and its long-serving building project, and for a time music director, Vaclav Neuto stir things up. Long regarded as the crown

# departed economics adviser

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that the importance of the ex-adviser was boosted in the resgold standard or Bretton Woods can be mutually beneficial withont perfect good behaviour on all other trade matters.

prepared finally to avoid con-troversy even in the US. Walters was scheduled to

speak this week to the Senate Task Force on EC 1992, but

he left a message on the group's answering machine at the weekend which said sim-

ply: "I can't come to speak to your group. I can't talk to any-body."

The Task Force yesterday released ten recommendations on 1992. Number Ten, added at the last moment, was a call to study the implications of the Furthern Union

the European Monetary Union, a subject on which Walters

Nothing nouveau about the

tional Stock Exchange in Lon-don. It is Stora, the largest for-

est products company in Europe and one of the leading

companies worldwide in such markets as pulp, newsprint, fine paper and packaging. It also owns Swedish Match. The

company has been around for

about 700 years and is probably

Stora has formally applied for a listing on London and

Frankfurt in its B Free Shares. Dealings are expected to start on both exchanges next Tues-

the oldest in the world.

Musical lead

■ Czechoslovakia still stands

mann, however, have begun

of national musical life, the

**Czech Philharmonic benefits** 

more than most in its pay and privileges. Yet during their current tour of West Germany,

day.

st entrant to the Interna-

has some views.

Better late

4. Ohvionsly tension between Mrs Thatcher and Mr Lawson had been building up for a long while. But the proxi-mate reason for Mr Lawson's restoration was eractly as resignation was exactly as stated in his published letter to

adviser was boosted in the res-ignation letter. But men and women live by symbols. Sir Alan was no quiet backroom figure. He was reappointed after he had made remarks in the summer of 1988, which were hitterly critical of exchange rate objectives in general and Mr Lawson person-ally. Even before he arrived at his deak has meiner the City his desk last spring, the City columns and analysts' reports

lower limit compatible with anti-inflationary credibility. But we have only been granted a hreathing space; and it is time in Mr Lawson's words to put and end to the "seeming confusion" and "apparent vac-illation" between alternative currency policies.

ics, special and general relativ-ity, quantum mechanics and cosmology is demanding hnt cosmology is utilized to brilliant. Nobody before has attempted to convey so much of the detail of these theories in non-technical language. After several hundred pages

Mr Penrose concludes that modern science cannot yet pro-vide a coherent explanation of the natural world. Quantum mechanics and general relativ-

hnman computars. Onr thoughts and feelings are

determined by the "software" that is run on that hardware. This takes the form of exceed-

number so large it could not be written down in full even if a "0" were placed on every proton and neutron in the uni-verse. The author carefully draws no conclusion from this remarkable calculation; but the religious will be inclined to regard it as evidence that our world resulted from an act of conscious creation.

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**Michael Prowse** 



the musicians were upset to hear that some fellow performers had been banned from Czechoslovak state radio and television. The reason given was that they had signed a petition calling for broader dialogue between the authorities and the people.

Neumann, doyen of Czech conductors, announced that he would boycott the broad-casting services until the ban was rescinded. The orchestra then decided by 93 votes to 3, with one abstention, to with-

draw its services as well. The musicians are due to return home this weekend. Although there may be some tough talking first, the betting must be that the authorities will back down.

### Modest Day

Sir Robin Day, appearing at a Foyles Literary Luncheon to celebrate the publication of his book Grand Inquisitor, pointed out yesterday that the televising of Parliament is arriving at almost the best possible time. Rarely have British politics been so interesting

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and unpredictable. and unpredictable. Day has been a long-time advocate of showing the pro-ceedings live. He says that if the decision had been taken years ago; there would have been no need for people like him, though perhaps he is just being modest. He recalls making an early He recalls making an early

appearance on American tele-vision with two other commen-tators called Ed and Mort. The producer said: "I want the three of you really to kick the subject around for about 30

### Pink blossoms

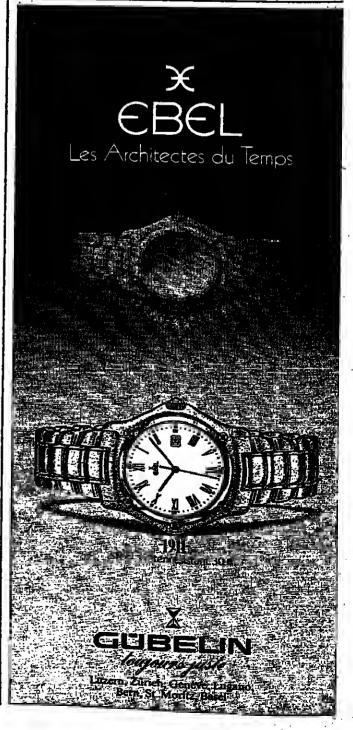
Philip Pink, formerly joint number two in the Government's Insolvency Service, has joined the brain drain to the private sector. After answering an ad in the Times, he has given up his distinguished titles of Senior Official Receiver and Deputy Inspector General of Insolvency and taken on the role of National Manager of Insolvency Profes-sional Standards for accoun-

tants Touche Ross. Pink, 55, who spent 30 years in public service, says he is the insolvency Service's most senior departure yet - but claims that the service, the largest of the DTI's 60 divisions, is not threatened by the sort of stampede for the exit that has stretched the Inland

His reason for leaving: after 20 years of case work and 10 in the policy division, he has experienced everything the service has to offer. This includes several years conducting public examinations of bankrupts - something he describes as a "Dickensian" practice, designed mainly to humiliate bankropts at a time when the social stigma of being unable to pay your bills was greater than it is today.

### Hot stuff

■ One of the items on the menn of a Soho café last weekend was "Lover and bacon".



Guy de Jonquières examines the turbulence surrounding the Airbus project

fter 20 years of struggling to get off the ground, sales of the A get off the ground, same in ally European Airbus are finally airborne. The venture's order books are buiging thanks to a buoyant commercial airliner market. Its short- to medium-hani Airbus A320 has proved a world-beater and, as an added bonus, its arch-rival Boeing is tempo-rarily incapacitated by a labour dis-

Yet, at what should be its hour of glory, the commercial viability of this heavily-subsidised showpiece of Euro-pean collaboration is threatened by persistent squabbling and nationalis-tic rivalry between its government sponsors and aerospace industry shareholders.

These strains raise serious doubts about the effectiveness of efforts earlier this year to overhaul Airbus'e sprawling management structure. The re-organisation, intended to cut costs and place the four-nation consortium on a firm business footing, is widely seen as essential if it is ever to stand a chance of making profits.

**Chancellor Helmut Kohl of West** Germany is expected to raise the political temperature further today by using a summit meeting with Presi-dent Mitterrand of France to renew demands that the A320 assembly line be uprooted from Toulouse and trans-

West Germany claims the proposal would save costs. Other governments strongly disagree and see it as a bla-tant attempt to grab a bigger share of production work for Messerschmitt-Bolkow-Blohm (MBB), the German "partner" in the Airbus Industrie consortium

So far, President Mitterrand has resisted the demands. France is worried that they would disrupt A320 production and undermine the interests of Aérospatiale, its state owned aerospace company, to which the Airbus assembly facility in Toulouse belongs. In an effort to defuse the dispute,

Mr Mitterrand and Mr Kohl agreed earlier this year to commission a joint economic analysis of the German proposal. However, the authors of the study differed so sharply that they were unable to agree any joint recommendations:

There are suggestions that Mr Mitterrand may try to buy Mr Kohl off by agreeing to finance a joint military helicopter project if MBB drops its claim to the A320 assembly line. However, such an ontcome would

antagonise Britain and Spain, the two other countries involved in Airbna. They are already angry that France and Germany are negotiating on an important aspect of the programme's strategy without consulting them or observing the formal procedures for Airbus decision-making. What worries the UK most is that if

Airbus is allowed to become a pawn in a political power game hetween Paris and Bonn, hopes of cutting the venture's close ties with governments and getting it to fly under its own power will be dealt a severe setback. The position of British Aerospace,

# The squabbling that threatens success

Airbus partners

CASA

Scain

which has a 20 per cent stake in Air-bus, gives the UK a particularly com-pelling interest in making the pro-gramme viable. As the only Airbus partner which is wholly privately-owned BAe aretics that it has in most owned, BAe argues that it has to meet tougher financial criteria than its state-backed continental counterparts and cannot afford to continue to run

up large losses on the venture. These reasons have prompted the UK to fire a shot across the Franco-German bows in the form of a report on Airbus, commissioned secretly in collaboration with Spain. It was deliv-ered to the two governments this week, just ahead of today's Bonn summit

The report was drawn up by Sir Jeffrey Sterling, chairman of the P&O Jainty stering, chaiman of the Fao shipping and construction group and a part-time adviser to the Department of Trade and Industry, and Mr Emilio Gonzalez Garcia, a banker and busi-nessmen who previously chaired Casa, Spain's Airbus partner. They say that adopting the German demands, micht relot cariner, but

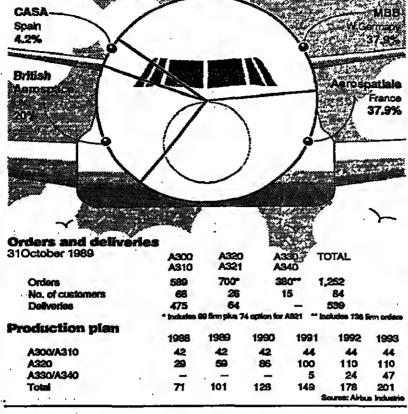
demands might yield savings, but would risk damaging Airbus produc-tion and sales. Their main message, however, is that if the venture is ever to become profitable, governments and partner companies must stand back and give the management of the Airbus Industrie (AI) consortium com-plete freedom to run it. The report also expresses concern

The report also expresses concern that the restructuring of AI agreed by governments earlier this year has not gone far enough. The reforms, based on recommendations by four "wise men," who included Sir Jeffrey and Mr Gonzalez, were designed to tackle two of the programme's most glaring weaknesses: lack of a unified manage-ment and inclusion out control

ment and inadequate cost control. Though AI has its own manage-ment and staff of about 1,200, its role ment and stort of about 1,200, its role is limited to sales and marketing. Responsibility for aircraft develop-ment and production has remained the jealous preserve of the four Air-bus partner companies, which have shared out work between themselves in strict proportion to their sharehold-

This opaque and lopsided system has encouraged the partners to offset losses on Airbus sales by bidding up the prices they charge for contracting work. AI has been powerless to check the resulting inflation of the programme's costs, because the pariners have refused to divulge detailed finan-cial information about their activities. Under the reorganisation, the board

structure of AI has been streamlined and a finance director appointed for



the first time. The partner companies have also agreed that work on the proposed A321 airliner, a "stretched" varsion of the A320, should ha awarded on the basis of competitive bidding.

However, resistance to change by the partners has blunted the impact of the reforms. In particular, they have severely circumscribed the role of Al'a new finance director, Mr Bob Smith, who was seconded to the post from BAe's Royal Ordnance subsid-iary seven months ago. His role is considered crucial to

improving the programma'a effi-ciency. But instead of enjoying wide authority over its finances, as the four "wise men" intended, ha has been obliged to seek authorisation from the supervisory board simply to obtain basic financial information. Mr Smith is said to have grown rapidly disenchanted, and it is uncertain whether he will stay on after the end of the year.

Some critics blame Mr Hans Frider ichs, a former German economics minister and banker, who chairs the AI supervisory board. His numerous other business commitments limit the time he devotes to the job, and he is accused of being too timid in impos-ing changes which cut across tha vested interests of the Airbus part-

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The Anglo-Spanish report recommands that the powers of the finance director be expanded and that a dep-uty chairman, independent of any of the Airbus partners, be appointed to back up Dr Friderichs. However, these changes would probably have only a limited impact unless the Airbos part-ners were really determined to make them work.

Some observers believe the decision by the Daimler-Benz motor groop to take control of MBB could help speed up the pace of reform at AL BAe, in particular, hopes that, as a privately-owned company, Daimler will have a

### strong incentive to make the consor-

tium more efficient. Such optimism may be premature, because Daimler is far less exposed because Daimier is far less exposed than BAe to short-term commercial pressures. The German company enjoys powerful support from Deut-sche Bank, its largest shareholder, and may also be able to re-negotiate the terms of the MBB takeover with Bonn in the 1990s if Airbus fails to perform perform.

In any case, as the Anglo-Spanish report points out, the root of Airbus's problems does not lie in whether the partner companies are publicly or privately owned. The real stumhling block is the inherent conflict between their roles as shareholders in AI, as sub-contractors to it and as members of its board.

These curious arrangements make it almost inevitable that the partners put their own commercial interests above those of the consortium as a whole. Each of them has a greater interest in making money on Airbus production contracts than in waiting for returns from profits on aircraft sales. Moreover, it has been impossi-hle fully to integrate Airbus production because each partner continues

tion because each partner continues to carry out work in its own factories. Longer-term, the only solution may be to change Al's ownership struc-ture. It was agreed in principle earlier this year that the venture should be transformed as rapidly as possible from a groupement d'intérêt économi-que, a form of French private consor-tium, into a wublic himited company tium, into a public limited company (plc). This goal is strongly supported by Britain and Germany, though more

cautionsly by France. However, the practical obstacles are formidable. Little progress can be made until the European Community legislates a European company stat-ute, a process that is likely to be long and complex.

Furthermore, implicit in the plc plan is the notion that the partners would surrender control over production. The Anglo-Spanish report argues that "it may well be that a fully com-mercial operation will only be possi-bla when the activities of Airbus in the partner countries are 'ring fenced' and identify with, and are account-able totally to, AL" Few, if any, of the partners are likely to be enthusiastic partners are likely to be eminumanic about hiving off their Airhus operations to an independent AI man-agement. Aérospatiale has argued that such a divorce would also be damaging because Airbus's work, to be economic, needs to be carried out on the arms undustice lines as mill on the same production lines as mili-tary aircraft.

There thus appears to be plenty of scope for further tense in-fighting about Airbus in the next few years. It will taka much determination and political will to transform the pro-gramme from an industrial pork-barrel, which has enabled each of its member countries to maintain a separate national aerospace sector, into a truly unified business anterprise which can compete profitably in world markets.

### LOMBARD **Japan's labour** shortage

### By Ian Rodger

COULD worsening labour shortages be more effective in Today, Japan's atmosphere is very different. The unemforcing structural changes in ployment rate is a negligible 2.2 per cent and the job offers Japan's economy than the douto job seekers ratio has reached an astonishing 1.35:1. bling of the yen against the dollar four years ago? According to Hiroshi Hamada, president of Ricoh, The average university graduate this year - not the best, the maker of copiers and facbut the average - has received more than two job offers. Some companies have already simile machines, Japan's labour shortage is becoming so acute that the company will resorted to wooing redundant workers in remote villages to move to other parts of the soon have to rely on its US factory to ensure an adequate supply of products for the Japcountry. Construction compasupply of products for the sap-anese market. Up to now, most Japanese manufacturers have looked on their offshore facto-ries as, at best, partial suppli-ers for local markets, so their impact on Japan's trade bal-ance has not been that great. However, if companies are nies and other hlne collar employers find it difficult to get the increasingly affluent Japanese to do menial tasks, and have recruited immigrant workers, even though it remains unlawful for unskilled However, if companies are forced to rely on their foreign factories to supply the home market as well, Japan's trade surpluses would fall rapidly.

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remains uniawful for unskilled foreigners to work in Japan. If the economy were peaking with the prospect of a signifi-cant easing of growth in the near future, employers could probably cope hy making greater use of part time work-ers and overtime. But the econ-omy is most unlikely to soften. Because of foreign pressure on Japan to reduce its huge trade surpluses, the high rate of domestic demand growth is expected to continue indefinitely. Everyone believes that if private sources of growth slow, then the government will

stronger in the past three years and the country's trade surpluses have increased. have to stimulate demand. The high level of capital Some have seized on this some nave sener of this performance as proof that Japan's economy works in a fundamentally different way and that it is not responsive to market forces. If Hamada's pre-diction is accurate, it suggests spending in manufacturing industry suggests that most companies have recognised the plight they face and are doing everything they can to increase productivity through a less drastic conclusion antomating their processes. But there are limits to that that normal economic forces work in Japan, but are often impeded by strong cultural and potential benefits from this institutional barriers. Four years ago, Japanese government and business lead-ers committed themselves to source in a country which already leads the world in fac-

Such a large scale shift in production was expected to

happen following the yen revaluation in 1985-86. But Jap-

anese manufacturing industry,

surprisingly, overcame the negative effects of the high yen with relative case. The domes-tic production base has becoma

tory antomation. Thus, many companies will probably have to accelerate the shift of procarrying ont substantial structural changes to the economy. But when they saw the scale of duction overseas . . . unless, of course, the labour shortages the yen's revaluation, they took fright and stirred up a climate of anxiety, claiming help to speed up progress on other long needed structural changes in the Japanese economy, such as making hetter use of female labour, rational-ising hanking and other that the domestic economy would become hollowed out in the haunting expression of the day - and unemployment would soar. That sort of alarmheavily overmanned service industries and easing the restraints on immigrant labour. But then, if these trends really started to gather pace, the Japanese leadership might well take fright again. ist talk undoubtedly contributed to creating a mood in which Japanese workers were willing to work extra hard to protect their industries.

LETTERS -

whether they would show con- Michael Heseltine or Neil Kin-

### moving the goalposts'

'Cynically

From Mr Neil Ostrer and Mr

William Arab. Sir, The UK Government has once again demonstrated its inability to understand the very laws of the free market which it has been so keen to inflict on the general public during the last decade.

during the last decade. An important material fact when valuing Jaguar was the existence of a "golden" share until the end of 1990; its pres-ence clearly reduced the priva-tisation proceeds. Professional investors like ourselves, selling shares and dealing in options for pension fund and other cli-

ents over the last few weeks, have been penalised. Once again (as with the arti-ficial floor under the BP under-writing in October 1987), Govwriting in October 1987, Gov-ernment manipulation of material issues has affected free market stock prices for political ends. It is not the takeover of Jaguar by a foreign company that is objectionable; it is the cynical moving of the goal posts that is intolerable in a so-called sophisticated stock goal posts that is intolerable in a so-called sophisticated stock market. To do so under the pretext of "reducing uncer-tainty" is astonishing. It will be interesting to see how the City copes with future guaran-tees and provisions made by the present Government. Jacmar shareholders will

Jaguar shareholders will almost certainly vote for the removal of all ownership restrictions, and the company may be sold to the highest bidder in a few months, and many may profit - not least the Jaguar workforce. But in the meantime, once more, a princi-ple has been sacrificed in the name of political expediency. Neil M. Ostrer, William J. Arah,

Marathon Asset Management, 140a Gloucester Mansions, Cambridge Circus, WC2

fallen empire with no future? Those who continually accuse the Prime Minister of being overpowaring and aggressive should consider the qualities required to run a country or business. Those in business might reflect on how popular their decisions always are with their own staff. Those in other political parties might reflect on what percentage of the party really support its pol-icies. Those in the Conserva-tiva party might wonder

Lest we forget

From Mrs N.J.W. Page.

Sir, How quickly we forget and how ungrateful we are. Who really remembers what life was like in the UK in 1973? How the world laughed at a courage under such pressure. Margaret Thatchar has worked tirelessly for the UK at home and abroad. She has tid us of an antiquated class sys-tem and given everyone a chance to sncceed. She has restored our national pride. To a great extent she has freed us a great excent ane has need us from Government interference and allowed us to be masters of our own destiny - yet we blame her for our own moral and economic failures. With individual freedom comes indi-vidual approxibility

vidual responsibility. Do those who are so quick to judge Margaret Thatcher so harshly really beliave that 38 Lowndes Square, SWI

Keynes updated

From Mr Geoffrey Gardiner Sir, For the last two years at least we have effectively been in the EMS – put there by the deviousness of "Sir Humphrey Appleby" and friends. If has heen a painful experience which will cost Mrs Thatcher

secretly updated Keynes's 1925 pamphlet, The Economic Con-sequences of Mr Churchill, and presented it as The Economic Consequences of Mr Lawson. The theme would be the same: bly increase West Germany's trade surplus with us. Wa may also speculate that if the bank rate (let us use the old name) had been 2 per cent in the last two years, Barclays Bank would not have a rights issue to expand the money supthe folly of entering a system of fixed exchange rates with an overvalued currency. To this could be added the argument that to maintain the value of the next election, so why are the "teenage scribblers" in agreement with Mr Lawson that it is a good idea? If they were cleverer they would have re-raad and ply by £17bn. Geoffrey Gardiner, 8 Molly Poots Close, Knutsford, Cheshire

### Shadowing the Deutsche Mark

From Mr Charles Young. Sir, Public interest in the snpposed disagraement between UK Government mem-bers over the EMS seems to distract from a more serious issue: the lack - among those who advocate EMS, member-

doned because control of domestic demand required higher interest rates, yet these

were incompatihla with exchange rate stability. In the end the rise in interest rates led, of course, to a rise in ster-ling which Mr Lawson cor-rectly predicted would be short lived, but which he was unable to meyerit the only way this Samuel Brittan's scorn of "fis-cal masochism." cal masochism." Some may argue that, had expectations been more strongly affected by an open commitment to the EMS, the experiment would have suc-ceeded. It would be prudent to doubt whether arguments based on expectations can be to prevent. The only way this dilemma could have been avoided was hy dampening domestic demand by a more restrictive fiscal policy, avoidbased on expectations can be manipulated so as to permit the implementation of inconing the need to push up inter-est rates. Yat nona of those who now favour EMS membersistent policies. Charles Young, Landell Mills Commodities Studies ship then advocated a larger Budget surplus; I recall Mr 14-16 George Street, Oxford

country than their own suc-cess? Would they slick to what they honestly balieved to be right, no matter how severe the criticism? Could they main-tain total presence of mind and control during a crists? Would yon really trust them to do what was best for the country

what was best for the country rather than themselves? It has always been popular among the so-called intellec-tual classes to sneer at Mar-garet Thatcher. The rest of us hight be more honest and conteil for what she has

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### Approaches to building societies have to be friendly

From Mr M.J. Boléat, Director General, The Building Societies Association. the point that while there are good grounds for arguing that a number of financial institu-Sir, David Barchard's article tions might wish to merge with

"Banks 'may be predators' of building societies" (Tuesday October 31) while fairly accurately reporting my paper, does not give the correct impres-

By "predator" one assumes an organisation with hostile situation in respect to takeover approaches to building societintent, and the paper makes

The broad conclusion is that If a building society wishes to remain as a building society then it faces no threat of a a British building society, they would not wish to do so other hostile takeover, because of the nature of building society legis-lation; together with the fact that it is difficult to see why than on a friendly basis. The objective of the paper was to set out, as dispassion-abely as possible, the current any institution should wish to take over a building society on a hostile basis. take over a building society on a hostile basis. There has been unreasonable speculation about the possibil-tion, 3 Savile Row, W1

ity of hostile bids to which building societies, because of their special legal position, could not respond, and societ-ies were naturally concerned that they mention because a dominant that they would have to devote management resources and monay to erecting defences. The paper shows this is not



# **FINANCIAL TIMES**



Thursday November 2 1989

### LAWSON EXPLAINS THATCHER ROW Why a British 'Fed' was rejected

By Philip Stephens, Political Editor

by Mrs Margaret Thatcher, the Prime Minister, because of her concern that she would be seen to be "admitting failure" in the

battle against inflation. Senior Whiteball insiders said yesterday that the plan-drawn up by Mr Lawson and a handful of Treasury officials -was for a central bank with similar authority to that of the US Federal Reserve rather than that of the more indepen-deot West German Bundes-

bank. The Bank would have been directed by a board of trustees, with the Governor appointed, as now, by the Prime Minister and the board subject to the ultimate authority of Parlia-

It would have been handed cootrol of interest rate policy, hut the Treasury would have retained the final say on move-

MR NIGEL LAWSON's ments in the exchange rate proposal for an independent Bank of England was rejected member of the European Monea mixed reaction to Mr Law-

son's revelation. Those like the former Chancellor who favour an early move to take starling into the EMS said that the idea should be looked at again. Supporters of freely-floating

exchange rates, however, said that such a move would undermine the authority of the House of Commons and this new independent central bank by effectively transferring control of monetary policy to the Bundesbank as the strongest central bank in the EMS.

Labour MPs are expected to press the Government for fur-ther details when they debate the European Commission's plans for European economic and monetary union later today. Yesterday, however,

1979.

Mr John Major, the new Chancellor, will use the debate to set out in detail the Treasury's proposals for a system of "competing currencies" as an alternative to the sugges-tion of a single European cur-rency proposed by the Commis-

sion. It is understood that Mr Lawson's central bank propos-als raised a number of political and technical dilemmas. They ranged from the implications of such a change for parlia-mentary sovereignty and man-agement of the exchange rate to that for the supervision of the banking system

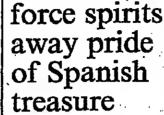
to that for the supervision of the banking system. The insiders, however, said that all the problems were sol-uble with further study. The key reason for Mrs Thatcher's decision to shelve it was her concern that political oppo-

Downing Street would say only that it was "surprised" that Mr Lawson had revealed the plan's if her economic policy since

When Mr Lawson presented his plan last year it was already clear that the inflation rate was on a rising trend, a factor which intensified the

factor which intensified the Prime Minister's anxiety about the political reaction. Britain's constitutional sys-tem - providing for the abso-lute sovereignty of Parliament - meant that the Bank could not be given the same degree of independence as the Bundes-bank. The US Federal Reserve pro-

vided a better model because it was accountable to Congress. It was also pointed out that the US Treasury, unlike the West German finance ministry, owns the country's foreign exchange reserves, giving it a direct role in exchange rate



By Peter Bruce In Madrid .

Sinister

A SINISTER force stalks the dark passageways and locked rooms of the Palacio Real in Madrid, the sprawling mid-18th century castle built by Philip V, Spain's first Bourbon King-Somerae is checking the rel-Someone is stealing the pal-ace's treasure. Three master pieces disappeared in August another was found to be miss ing last month. A dogged investigator accuses high offi-cials in the palace of blurring

impleasant truths. The palace, overlooking the Manzanares river, contains nearly a thousand rooms. Most have been closed for a year for renovation, and public access is limited to a few rooms with spectacular exhibits. King Juan Carlos decided

King Juan Carlos decided not to live there and only uses. it for state functions. With its sombre atmosphere, it is the perfect setting for intrigue. On Monday Angust 14, when the two custodians of the pal-ace's paintings were making their rounds of the 10 closed nicture mome, they noticed a

picture rooms, they noticed a iny Velazquez missing. Subse-quent investigation revealed that two more pictures had vanished - another attributed to Velazouez and a portrait by a lesser known Madrid painter of the 17th century, Juan Car-reno de Miranda. The three are

reno de Miranda. The three are worth Pta275m (\$2.35m). One of the Velazquez works is particularly important. It is a 1830s painting of the right hand of Fernando Valdes, the Archhishop of Granada, hold-ing a parchment on which the artist painted one of his few known authentic signatures.

artist painted one of his few known authentic signatures. The other painting "The Head of a Woman," though attributed by some to Velaz-quez, is thought by others to be a copy of a painting destroyed in the fire which burned down the original pal-ace in 1784.

burned down the original par-ace in 1734. Security has been tightened by changing locks on all the rooms containing paintings and allowing staff in only with guards. Just over a week ago, however, someone called the BY Brit however, someone called the EL Pais newspaper with the message: "They have stolen another picture from the paint-ings hall at the Palacio Real. It is the 'San Carlos Borromeo'

Reed International's share price in recent months says lit-tie for the market's ability to take the long view. Since July of last year the shares have underperformed the market by 27 per cent. Meanwhile, the company has done just what it 110 promised: got ont of heavy manufacturing and turned itself into a pure publisher. The dilution involved was sup-100 The dilution involved was sup-posed to result in two years of flat earnings. Last year's earn-ings were in fact up 5 per cent; in the year to next March they should be up by twice as much, which would compare hand-somely with the corporate

The market has meanwhile put Reed down as a victim of the squeeze on UK consumer spending. This deserves consid-eration, since nearly a third of Reed's business is with the UK consumer. But the most vul-nerable part of it, consumer advertising, accounts only for some 12 per cent of group turn-over. Offsetting that - as intended - are less sensitive businesses like legal and edu-cational publishing. Meanwhile Reed has only £250m of debt, and proposes to reduce its divi-dend cover in recognition of its stronger cash flow as pub-lisher.

nomic conditions. Tomorrow's employment fig-ures will give a better feel for the current health of the US economy, and the Fed may well delay any further easing until after the the next FOMC motions the under star next Yesterday's figures — interim earnings down by 6 per cent — represent the low point of the transition from manufacof the transition from manufac-turing. Full year pre-tax profits should be up by over 10 per cent to £300m, which would put the shares at 397p on a multiple of 10 and a prospec-tive yield of some 4.7 per cent. Perhaps the best argument for short-term interest rates have already fallen by close to 200 basis points since the US econ-omy started slowing, while the dollar has weakened against the DM. The need for further monetary stimulus may be less a recovery lies in the curious fact that Reed has performed worse this year than Maxwell Communications. Mr. Maxwell pressing than Wall Street suspects. seems to have demonstrated Swaps that there is an appetite for international publishing stocks among US investors used to The sweeping nature of the High Court decision on swaps yesterday caused consterna-tion, and rightly so. In pure local government terms the roling hurts prudent as well as spendinrift councils; it also has fancier multiples. Once it has its ADR listing, Reed might with luck follow his example.

### Wall Street

The US economy continues to send out confusing signals. Third quarter US corporate profits have generally been dis-appointing, which suggests that the economy has been growing more slowly than expected. Yet the first readings of US economic activity in the US eco

attraction its debt in floating rate instru-ments would be a far greater gamble. But that council will now find its good judgement punished, being forced to unwind those swaps and pay 15 per cent plus interest rates. In future, local councils will be faced with uncertainty about Reed faced with uncertainty about their interest costs throughout the financial year and residents will face a potential jump in the poll tax with each

THE LEX COLUMN

Publishing Reed's

Maxwell

1989

Fed will be panicked into any dramatic monetary easing. Yesterday's National Associ-ation of Purchasing Managers' index for October continues to

make for Occuber continues to paint a picture of an economy which is contracting. But the index is higher than it was a couple of months ago, which could be taken to mean that the worst of the slowdown is

over. Meanwhile, the Fed's

Beige book indicates no dra-matic deterioration in eco-

nomic conditions.

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base rate rise. The banks, which are likely to appeal, have been severely punished for Hammersmith punished for Hammersmith and Fulham's indiscretions. They face immediate costs of 5300m to £400m and the pros-pect that 10 years of interest rate hedging deals will need to be unwound. And there were already signs yesterday that the decision would have a knock-on effect in the gilt mar-ket where many of these deals ket, where many of these deals are hedged. Since the whole process was began by the Department of the Environment, neither the reputation of the Government nor the City will be enhanced. For markets in derivatives such as swape, the publicity will only rein-force the notion that such instruments are designed purely for speculation, whereas they do serve a genuine hedg-ing purpose.

US paper

The hostile \$3.3bn takeover bid for Great Nortbern Nekoosa is interesting on a couple of counts. On a general level, it proves once again that predictions of the demise of US takeover activity are prema-ture. The Boesky scandal, the 1987 stock market crash, and most recently the aborted UAL deal, have all been cited as reasons why US corporate dealmaking was no longer going to underpin Wall Street. Each time, after a brief respite, take-over activity has bounced 4

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Georgia-Pacific is not a corporate raider. It is a big paper company wanting to buy one of its competitors at the top of the cycle. The fact that it is going to have to pay more than 13 times next year's earnings if it wants to win is surely a bull-ish signal for the valuations of

ment exercises by local coun-cils are illegal - is very bad other highly cyclical US stocks. The other interesting point news for poll tax payers. Take a conncil which was sensible enough to swap into about this move is that it is said to be the first hostile bat-

### Mexican reserves rise boosts confidence

By Richard Johns in Mexico City

MEXICO'S foreign exchange reserves have risen \$1.2bn in the past three months to \$7.234bn, while the return of capital flight this year has

These figures were announced here yesterday by President Carlos Salinas de Gortari in his first annual informe, or state of the union

It is traditionally one of the three occasions in the year on which Mexican reserves are made public.

But yesterday's figures for the end of Ocotoher were clearly designed to underline thet since taking office last December President Salinas has begun to restore confidence in the economy, espe-cially in the light of the July agreement with the commer-cial banks on reducing \$53hn of

"The renegotiation of the debt does not guarantee the solution of our problems but without the renegotlations it would be impossible" be



A happy Mrs Benazir Bhutto yesterday after surviving a vote no confidence which could have toppled her government

### **Bhutto survives vote** of no confidence

### By David Housego in Islamabad

MS BENAZIR Bantto, Minister's chambers in the **Ortega** for calling off

By Tim Chone in San Jose: and Lionel Barber in Washington

PRESIDENT Daniel Ortega of Nicaragua yesterday formally ended a fragile 19-month cease-fire against the US-backed Contras, dispelling last-minute bopes that the decision might

be reversed or postponed. In making the announce-ment, Mr Ortega blamed US President George Bush, saying that in giving logistical sup-port to the rebels the United States is supporting terrorist actions inside Nicaragua.

The White House condemned the decision as "deplorable", but rejected suggestions that it would lead to a renewal of US

would lead to a renewal of US military aid to the rebels. Mr Marlin Fitzwater, the White House spokesman, said Mr Ortega's movs seemed aimed at undercutting plans for next February's Nicara-guan elections. President Bush was talking by telephone with regional leaders to get the ceasefire back on track, he said.

The relatively moderate US response reflects the Bush

# **US** attacks ceasefire

declared in a two hour speech greeted with frequent rounds sometimes prolonged applause

Mr Salinas's address proceded in marked contrast to the stormy reception given last year to the farewell report of his predecessor, Mr Miguel de la Madrid, when left wing deputies, members of the now defunct centre left coalition National Democratic Front, stormed ont of the meeting and those of the conservative National Action Party (PAN) vociferously protested over Mr Salinas's flawed and hotly dis-puted election to the presidency.

Mr Felix Salgardo, the deputy of the Democratic Party of the Revolution (PRD), stood up yesterday and interrupted the meeting when Mr Salinas con-cluded the passage in his speech about state elections

held this year. The President focused on the accord on changes to electoral rules agreed a fortnight ago by the ruling Institutional Revolu-tionary Party (PRI) and the PAN which together have a two thirds majority in the 500 member chamber of deputies needed for constitutional

The PRD decided not to boycott this *informe* hut threat-ened a walk out if Mr Salinas said anything totally untrue. However its leader Mr

Cuauhtemoc Cardenas was absent in Washington. Only the Popular Socialist

Party with 11 members in the parliament refused to attend the informe.

• During his first state of the nation address, President Gortari pledged to continue his programme of reform and modernisation but warned the opposition that blocking progress could cost them support, Benter adds.

Pakistan's Prime Minister, ye terday survived a vote of no confidence in her government but saw her majority in the National Assembly much ent.

reduced The Opposition Islamic Dem-ocratic Alliance gathered 107 votes, or 12 short of a simple majority. In much contested figures, Ms Bbntto's People's Party claimed its strength on the floor of the House was 127, or well down on the 138 votes that the Prime Minister won in a vote of confidence late last

The closeness of the vote, caused mainly by the decision of the Karachi-based Mohajir Quami Movement (MQM), which represents migrants from India, to abandon their from india, to anaton their alliance with Ms Bhutto, points to the growing vulnerability of her government. At the same time the tactics of both Gov-ernment and Opposition in using bribery, intimidation and force to get Deputies to switch eides is seen has having out sides is seen has having put Pakistan's fragile democratic estitutions at risk. Mr Mustafa Jatoi, the Oppo-

sition's leader in Parliament, last night claimed that the slide in Ms Bhutto's majority represented a "major victory" and said that it would remain the Opposition's objective "to shake the foundations of a corrupt, incompetent and inept government. He declared that Ms Bhutto's

administration "cannot survive for very long".

The Alliance seems likely to seek a special session of Parlia-ment next month as part of its pressure on the Governmentwhich would give them the opportunity of seeking a fur-ther vote of no confidence. Reflscting the distrust on

both sides, Mr Jatoi alleged yesterday that 22 Deputies had been confined in the Prims

House while votes were being counted. He claimed that if this had not been dons the result would have been differ-

For the Prime Minister, the defeat of the motion provides a respite after what has been the greatest challenge so far to her regime. She disclosed the immense strains it had put on her administration when she warned in her speech that the Oppositioo's use of the no-con-fidence weapon is "no joke. It shakes the entire nation.

"It also gives rise to fears about our democratic institutions and the implications for the integrity and unity of Pakistan. In the wake of the vote, Ms

Bhutto implied she was planning changes of policies and people to meet the criticisms to which she has been subjected. She said she had intended to resbuffle ber Cabinet and review strategy. But as yet there is no real evidence she has anything more than cos-metic changes in mind to

diminish her growing isolation. Her speech to the National Assembly in advance of the vote, one of the few she has made in the Parliament, had little feel of reconciliation about it. In its attacks on the Opposition, it reflected more the shrill tone of a leader wbo felt herself hammed in by ene-mies and was preparing a fresh offensive to divide her oppo-

nents With Ms Bbntto and the opposition thus apparently on a collision course, the risk must be of an increasing polar-isation in Pakistan politics and of growing strains on the coun-

try's democratic institutions. Mindful of the danger of mili-tary intervention, Ms Bhutto appealed to her opponents yes-terday to "think coolly and calmly of the future we want."

Administration's desire to take the moral high ground by clearly supporting next year's elections

President Ortega first announced his government's intention to lift the ceasefire during last weekend's hemispheric summit in San Jose, Costa Rica. He added though that he would reconsider the decision if the US Congress rechannelled logistical support it is at present giving the Con-tras to instead assisting the

Contras to demobilise. His threat drew widespread condemnation in Congress. The US Senate voted 95-0 decrying the move, while even liberal opponents of the Rea-gan Administration's policy of giving military aid to the Con-tras expressed dismay.

The five Central American presidents agreed last August on a demobilisation timetable for the Contras which must be complete by December 5. The agreement was made in return for a series of democratic reforms in Nicaragua which cleared the way for the full participation of the opposition in next February's general elections.

A wave of attacks and assas-A wave of stracks and assas-sinations by Contra units which infiltrated Nicaragus in recent weeks has precipitated the ending of the ceasefire, although the government gave indications as long as a month ago that a new military offen-sive was in the offing if the

Contras do not adhere to the Central American peace plan. The ceasefire had been a uni-lateral measure decided by the government, which suspended

Norwegian likely for UN refugee post

offensive military operations to aid the peace process. But apart from an initial threemonth period beginning in April 1988, the Contras never accepted the ceasefire.

Francisco Bayeu, Goya's brother-in-law. It must have been Monday, but they are trying to hids the fact. It is my moral duty to report this because not only are we deal-ing with treasure that belongs to all Spaniards but the very

safety of King Juan Carlos, who works there during the week." Click. The mystery is not really who made the call. The mys-tery is which Monday. At the palace, a spokesman

insisted yesterday that the Bayen, worth about Pta10m (\$85,000), had been stolen with the other three.

"Given the circumstances," he said, referring to the secu-rity measures, we are con-vinced that this painting (the Bayen) was stolen at the same time and by the same person or people who stole the two Velazquez and the Carreno de Miranda.

The police think the anony mous caller meant Monday, October 16. Rodriguez Calleja, the man in charge of the case, is certain that that is when the Bayeu was stolen. He is less than enthusiastic about the co-operation he is getting from the palace. "They don't want to recognise what has happened, he says, accusing top official of hermetismo - closing up. If the police are right, the

security measures have failed and someone with access to the new keys, someone famil-iar, is getting into the locked rooms under their noses.

It is tantamount to saving palace security can neither guarantee the safety of its trea-sure nor that of the King

The police say they have some suspects but will not be specific. A palace insider, they hint, is probably doing the bidding of professional art thieves who at some stage will try to sell the paintings. final quarter of 1969 indicate that recessionary fears may be overdone and that the recent slowdown in the economy is moderating. It is premature to talk again of a soft take-off but it is also less likely that the

fixed rate borrowing in 1988. It was no more "betting on the races", to quote a phrase used in court, than was the wise man who opted for a fixed tie between two well known mortgage rate at the same period. Indeed, to concentrate Europe.

the bizarre effect of benefitting the chief culprit, Hammer-smith and Fulham. And ths

implication of the decision - that all interest rate manage-

names in the US paper indus-try. It could mark the beginning of a consolidation of the US paper industry, similar to what has already happened in



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#### MR Thorvald Stoltenberg, a appointment, which will be former Norwegian foreign and made by the General Assembly defence minister, is expected to become the United Natiions on his recommendation. Asked about reports that Mr Stoltenberg was the likely choice, the spokesman said: "I High Commissioner for Refu-

By Michael Littlejohns, UN Correspondent, in New York

the US.

1

gees in succession to Mr Jean-Pierre Hocké of Switzerland, whose resignation took effect yesterday in a row over his use of special funds. A spokesman said thet the UN Secretary-General Javier Perez de Cueller is consulting

member states about the

would not deny that what you are saying is correct." The Nordic nations as a group donated about \$84m to the High Commissioner's office

this year, the secood largest contribution after the \$124m of

Mr Hocké announced his resignation last week following charges that he tapped an edu-cation fund established by Denmark and Sweden to pay for first-class air fares for himself and his wife and for entertain-

Mr Perez de Cuellar set un s special audit office, and an investigation of Mr Hocké's conduct is being directed by Mr Patricio Ruedas, a former Under Secretary-General.

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### INSIDE

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### Shaking off the lethargy



Last month's sharp fall on Wall Street has produced a political reaction which - though it is less panicked - has been reminiscent of the demands for market reform which followed Genuincs for market reform which followed Black Monday in 1987. This is partly because a great deal of planned legislation still sits in the files of several committees and sub-commit-tees, only partially considered. Whila the mar-ket was rising steadily last year and for most of this, there was little incentive to revive pro-posed market reform. Janet Bush looks at how October 13 changed this view. Page 24

### Time of sands has come

Production of all mineral sands has been running hard to keep up with demand in recent years. Prices have risen to record levels and this has stimulated an industry-wide expanalon, particularly in Australia, already the big-gest producer of mineral sands. Against this background. Kenmare Resources, the USM-quoted, Dublin-based mining company, is to go ahead with a \$100m mineral sands project in Mozambique. Kenneth Gooding reports. Page 30

#### Filling the gap



ate (left), can best be gauged by this week's many pages of large obituary notices in the big German newspa-pers. Whila Veba itself is not commenting on the succession, David Marsh looks at how the

The hole left in West German industry by the death at the weekend of

Mr. Rudolf von Bennig-

sen-Foerdar, chairman of the Veba conglomer

company will fare without a man regarded by many as one of West Germany's canniest capitalists, Page 20

#### **Clouds in the southern sky**

It may be springtime in Australia, but it is not all blue skies in the stock market. Perhaps the most obvious sign of trouble is the battering takan by the local business heroes - the entrepreneurs' Index has plunged to an igno-minious 5,262 from over 10,000 in the glorious days of September 1987, While the difficulties facing Mr Alen Bend, Mr Christopher Skase and others may be Important for sentiment, however, their influence on the market can be exaggerated, writes Chris Sherwell. Page 42

### **Reed profits dip**

....

Acquisitions and disposals associated with Reed International's move out of manufactur-ing to become a pure publishing group contributed to a dip in the company's interim pre-tax t by a d analysts' full-year forecasts and a 15 per cent interim dividend increase to 4.6p a share, the shares gained 15p to 397p. Page 26

**FINANCIAL TIMES COMPANIES & MARKETS** 



Thursday November 2 1989

# Doubts that tarnish the golden share

Charles Leadbeater assesses the significance of the Government's waiver of its special share in Jaguar

W hen Sealink, the former British Rall farry sub-sidiary, was privatised in July 1984 most people must have believed the company had reserved the company had

have believed the company had passed entirely beyond the Gov-ernment's control. That impression will probably have been confirmed by the hos-tile £1.02bn (\$1.63bn) hid launched by Stena, the Swedish ferry company, and Tiphook, the UK container rental company. Yet buried within the terms of the #Som sale was a special gov-

the £66m sale was a special gov-ernment shareholding which places far-reaching restrictions on any purchaser's freedom. In the aftermath of the Falk-

In the atternant of the Falk-lands War, when merchant ships were commandeered to supple-ment the naval task-force, the Government's special share in Sealink restricts the disposal of the company or more than 25 per cent of its fleet, ensures any pur-chaser would have to make the fleet available in times of emer-sency and restricts the voluntary gency and restricts the voluntary

gency and restricts the voluntary winding up of the company. The Sealink special share may take on added significance follow-ing Mr Nicholas Ridley's decision to open the way for a bidding battle between Ford and General Motors for control of Jaguar, by waiving his power to exercise the Government's golden share in Government's golden share in the company.

The Jaguar decision has rekin-died doubts about golden shares raised after the Government waived its right to excercise its share in Britoil, during its takeover hy British Petroleum.

Has Mr Ridley's move thrown into question the Government's

nies, or is Jaguar a special case? The golden shares have been used to entrench a plethora of provisions within privatised com-panies' articles of association, which can only be changed with the approval of the special share-holder, usually the relevant sec-retary of state. The removal, expiry or waiver of a golden share allows the articles to be changed, often by a 75 per cent vote of shareholders. There are two types of golden share.

First, the Government retains a golden share of indefinite life in Cable and Wireless, Scalink, Brit-ish Telecom, British Aerospace, shipbuilders VSEL, British Gas, aero engine manufacturer Rolls Royce and BAA, formerly the British Airports Authority. The Government says that

these are industries where a change of ownership or disposal of assets may affect the national interest or security of supply. Tha shares limit foreign or

individual stakes to 15 per cent. Most believe the Government is unlikely to relinquish these shares, although ADT, the elec-tronics security group, which has built a 5.56 per cent stake in BAA may test its resolve. Second, there are shares which have a life limited to five years.

These have been used for compa-nies whose future is not a matter of national interest, but which need protection against takeover as they make the transition to the commercial world. At Amersham International,

that the remaining temporary shares may become more contro-versial, with companies planning takeovers testing tha Govern-ment's resolve as the shares reach their expiry dates.

The opportunities are some way off. A temporary share in British Steel is due to expire in December 1993. The water and electricity privatisations will shower the stock market with them them.

The Government will retain a golden share in the 10 privatised water authorities, with a life of five years to limit a single share-holding to no more than 15 per tion of Associated British Ports, the largest port operator. Sealink has a golden share, but British cent. For the following five years the limit can only be raised with Airways does not. The temporary share, with its arbitrary time limit, seems to be the product of an uneasy political the backing of 75 per cent of shareholders. The share in the Welsh authority will be perma-

nent. The electricity industry's 12 area distribution boards will be governed by the same arrange-ments as tha water companies. to exposure At first sight, the shares have a Thatcherite purpose. By prevent-ing large investors building up stakes, they have helped protect the individual shareownership campaign. Yet by retaining the state's interest they smack of a paternalistic Toryism which is clearly an anathema to free-marketeers, such as Mr Ridley. The Government will retain a permanent share in the two gen-erating companies. National Power and Power Gen, as well as the company which will control the national grid.

Mr Ridley's decision on Jaguar has fuelled simmering doubts about the consistency of the Govmarketeers, such as Mr Ridley. The Jaguar decision echoes the tensions common between ministers and managers when corpora-tions are being prepared for priernment's approach on a series of counts.

The definition of the national vatisation. The sbares protect manage-ment in the early years of privatiinterest has sometimes seemed inconsistent. The special share in

Nicholas Ridley: open to the accusation of handing the Jaguar chicken to the waiting foxes. sation as they make their compa-BAA ensures British control of leading airports, but there was no golden share in the privatisanies more commercial. But, as Mr Ridley's decision implies, they

risk entrenching incumbent man-agement at the expense of shareholders The difficulty in the Jaguar case is that the shareholders to

be given autonomy are not pen-sioners in Coveotry, but arbitra-geurs in New York. So Mr Ridley is open to the accusation of handmpromise which is vulnerable ing the Jaguar chickeo to the waiting foxes. At first sight, the shares have a

The temporary share is only likely to become an issue when a cootested takeover is launched, which means that whatever the Government does it will be open to the criticism of favouring one another by keeping it. An obvious alternative to the

golden share would be to use pro-visions similar to those in the water industry privatisation, which mean that any hid for a water company worth more than \$30m will be referred automati-

Those who thought privatisa tion simplified government rela-tions with previously state-owned companies better think again.

cally to the Monopolies and Merg-

While this should deter bids, there is a problem for the Gov-ernmeot. The MMC would mainly

coocentrate on competition issues rather than political con-

siderations, such as the level of foreign ownership, which matter to the Governmeot.

Mr Ridley, as Industry Secre-

tary, holds most of the shares, hut Whitehall officials insisted

the Jsguar decision did not her-

Mr Richard Gledhill, at Price

Waterhouse's privatisation department, said: "Anyone eye-ing up British Steel is bound to

treat this as good news, but there is no evideoce that this is a

change of policy. The Govern-ment is likely to respond case by

ald a change of policy.

ers Commission.

### **MMC** inquiry **De Savary plans buy-out of Highland** By Nikki Tait in London for Michelin

DESPITE recent problems over leveraged buy-out bids, Mr Peter de Savary, the flamboyant yachtsman entrepreneur, yesterday announced plans to take Highland Participants, his remaining quoted vehicle, into The MMC must report its find-The MMC must report us that ings within three mouths. Should it be decided that competition is prejudiced by Michelin's owner-ship of the two chains, Mr Ridley can order Michelin Tyre to put NTS back on the market. Michelin bought the company from BTR, the British industrial concloments in June the private sector through a £72.6m cash offer for the com-

pany's affairs.

pany. Mr de Savary – who is proba-bly best known for his attempts to win the America's Cup yachting trophy, but more recently hit the headlines over his role in the

Funding for the 200p-a-share offer - which also carries a loan note alternative - is being provided hy Standard Chartered Bank. Yesterday, Highland shares, which are quoted on the Unlisted Securities Market, jumped 37p to

The deal is, however, condi-tional on a separate management buy-out of the Isle of Grain devel-opment where Highland had planned to build a container port facility, and of certain small port businesses. A new company,

Geoffrey Parker, a Highland director, says it will pay High-land around \$60m at completion. Of this, some £25m goes to repay groop borrowings, leaving High-land with a net cash consider-ation of £35m. The MTS buy-out team has secured total funding of 2155m for the future development of the site, comprising a £120m loan facility arranged by County NatWest and the remainder in mezzanine and equity financing. Fifteen months ago, the com-pany tapped sharebolders for

to Highland's profits by 1993. Asked why shareholders were only getting back 200p now, Mr de Savary commented: "That is the market." He pointed out that he committed £3m of his own money at that price, although his stake in Highland was signifi-cantly diluted by the issue. Yesterday's announcement also suggested that Highland con-sidered various acquisitions to

sidered various acquisitions to provide an income stream to complement the development projects, but failed to find any-

WATER COMPANIES AGUAR **ALEET** 

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whether there could be adverse effects for consumers as a result of the much-expanded presence the takeover has given Micbelin in the UK's nearly film-a-year mediacement tyre market. Michelin Tyre, the wholly-owned UK subsidiary of the

By John Griffiths in London

THE Monopolies and Mergers

Commission is to investigate Michelin Tyre's £140m (\$210m) takeover of National Tyre Ser-

vices, a 420-outlet replacement tyre distribution chain.

and Industry Secretary, has ordered the referral to establish

Mr Nicholas Ridley, the Trade

French – and world's largest – tyre maker, also owns the 540-outlet Associated Tyre Services chain The two networks provide

Michelin with a combined pres-ence in the UK replacement tyre market some four times greater than any of its rival tyre makers. The next biggest chain, Goodyear Tire and Rubber's Tyre Services, has around 250 outlets. The retail tyre sector is domi-

share nated by tyre manufacturer-owned retailing chains, except for Mr Tom Farmer's Kwik-Fit Euro organisation - although Continental, the West German tyre maker, recently bonght a 13.13 per cent stake in Kwik-Fit. market-place."

nerate, in June. At the time, Michelin claimed that even the two chains combined would account for less than 20 per cent of the broad aftermarket for tyres and other vehicle spares - which NTS and most of the other chains also sell.

most of the other chains also sell. However, the Office of Fair Trading, which recommended the MMC inquiry, is believed to have been encouraged to act hy a belief that the acquisition gives Michelin a replacement tyre mar-ket share of well over the 25 per cent threshold which can trigger a referral. Michelin, like all the other major tyre companies. Campbell Soup chief other major tyre companies, refuses to provide any details of its, or anyone else's, market **By Roderick Oram** Michelin said last night that

in New York the company would co-operate fully with the MMC investigation but that it "much regrets the continuing uncertainty created both within the companies and the

### Sea Containers lines up buyers for assets

### By Andrew Hill in London

container groups.

and TransAmerica.

\$70 a share.

vate Swedish ferry company, and Tiphook, a UK container rental SEA CONTAINERS has buyers lined up for all the assets it intends to sell as a defence against a hostile \$1.02bn bid from Wa'll keep the \$120m differ-Stena and Tiphook. ence in our pocket in case those jokers make another move," said

Mr James Sherwood, president of the group, which owns Sealink British Ferries, yesterday con-firmed that the \$1.1bn estimate of Mr Sherwood. Sea Containers shares continued to trade at around the \$63 sale proceeds contained in Tueshostile offer price in New York yesterday as investors awaited a formal filing to the Securities and day's statement was based on prices negotiated with potential buyers.

Exchange Commission, which would give more detail of the "Our plan is that every week in the coming weeks, as each con-tract is signed, we will be announcing the buyer and proba-bly the price," he said. He added that the group had ferry and container group's financial projections.

Meanwhile, Tiphook and Stena attacked the alternative plan in a letter to Sea Containers' board. already agreed a price of \$2,000 per 20 ft equivalent unit (TEU) "Your 'alternative' appears to be nothing more than a highly conditional device designed to for its fleet of 200,000 TEU standard dry cargo containers. Mr Sherwood said the buyer would antrench management, confuse your shareholders and prevent be one of the major international them from accepting our superior cash offer," said the letter. The top three are Itel, Genstar The letter also appeared to

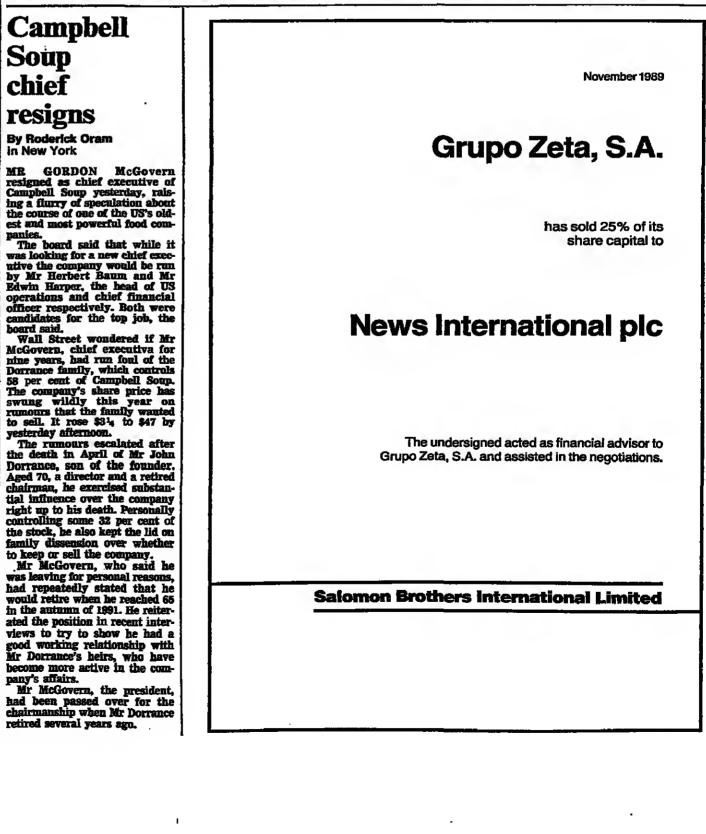
threaten possible court action over the "legal, regulatory, finan-cial and fairness issues" raised Sea Containers plans to spend \$500m including expenses to buy back more than half its equity at by the plan. Mr Sherwood stressed yester-

The halance of the \$620m cash day that all Sea Containers shareholders would be able to take up the \$70 a share offer. surplus generated by disposals will be held back to fight off any increased offer from Stena, a pri-Defence strategy, page 26

Blue Arrow affair - sold out of his other quoted vehicle, the Lan-dLeisure group, in late-1988. The offer for Highland is comcalled Maritime Transport Services, has been formed to acquire ing from Cornwall Trust, a newly-formed private company owned entirely by Mr de Savary.

£45m in a rights issue at 230p a share. This was to fund the pur-chase of the leasehold interest on the business assets relating to the development, plus an under-lease covering 184 acres of the 214-acre, Kent-based site. MTS, which is headed by Mr

thing at a suitable price. It said that in the wake of the decision to sell the Isle of Grain develop-ment, Mr de Savary offered to inject his private interests into Highland, but this plan was even-tually abandonned.



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المتر أمنية المراكبين والججائب في

### INTERNATIONAL COMPANIES AND FINANCE

### Wärtsilä Marine to form basis of new company

#### By Enrique Tessieri in Heisinki

A NEW chapter in the history of Finland's shipbuilding industry began yesterday with an announcement by the Government that agreement had been reached to form a new shipbuilding company from the wreckage of Wartsilä Marine.

The company, one of Europe's largest privately owned shipbuilding concerns, was declared bankrupt last month after a rescue package originally agreed in August foundered amid higher than expected loss projections. According to the Govern-

ment, the new company, which has yet to be named, would eventually be merged with Fin-land's two other shipyards, Rauma-Repola and Hollming. Wärtsilä Marine has been hit

by a raft of problems, including a dearth of new orders from the Soviet Union and labour shortages, but has also com-plained about subsidies at ship-

yards in EC countries. Mr Ilkka Niemi, managing director of Finland's Export

**Kvaerner** ends

Selmer-Sande

KVARRNER, the Norwegian

engineering concern, has called off merger talks with Selmer-Sande Entrepencer, a

big construction firm in Nor-

way, Reuter reports. "Kvaerner has . . . been forced to break further negoti-

ations, with the consequence that the planned merger will not be carried out," the com-

The planned merger would

have entailed Kvnemer taking two-thirds of Selmer's stock.

The remaining third was acquired last year by Skanska,

the Swedish construction con-

ised in the future," Kvaerner

said. The two companies had

also disagreed on how to develop a planned property company together, it added. Selmer-Sande Entrepencer is a holding company responsible

for 10 construction concerns. The company employs 4,700

New Issue

"It was . . . not possible to agree with Skanska on how the activities should be organ-

pany said.

cern.

people.

merger talks

Iki Gnarantee Board (EGB), said: "The idea behind establishing a new shipbuilding company is to start afresh . . . The new company will be able to negoti-ate the price of ship orders. Another factor was outside parties who were trying to ben-efit economically from the situ-ation by speculation." Mr likka Suominen, Minister of Trade and Industry, said: "It's for the new company to decide which [16] ship orders it wants to build. But I would assume that most of the orders, at least those at the shipyards, would be finished." The new company will have a share capital of FMS70m (\$134m). This will comprise FM200m from Wärtslä Corpo-ration, which now owns 19 per cent of Wärtsilä Marine, FM100m from Union Bank of State (UBP) EM100m from Mr Snominen did not say how many of the 6,000-odd employees of the now-defunct shipbuilding company would be able to retain their jobs in the new company. According to Government sources the new shipbuilding company will secure jobe at the Tarku ship-

yard for two years and one year at the Helsinki Hietan-iemi shipyard. In order for the new shipbuilding company to rid itself of any financial burdens left by of any financial burdens left by Wärtsilä Marine, the parties involved in the original August financing package have redi-vided liahdity. It will work on a sliding-scale scheme which allows for a joint maximum lia-bility of FM1.7bn. Wärtsilä's maximum liability is jurited to maximum liability is limited to FM705m, the state FM675m, cent of Wartslif Marine, FM100m from Union Bank of Finland (UBF), FM100m from tha state and FM170m from "others," which include "par-ties involved with the ship orders," according to Mr Niemi. Union Bank of Finland and Postipankki jointly FM240m, and state-ownad Valmet

FM70m. Wärtsilä shares were suspended yesterday pending the announcement.

### Surge lifts **DSM 63%** to exceed forecasts

### By Our Financial Staff

DSM, the Dutch chemical group, lifted third-quarter net profits by 63.2 per cent, reflecting substantially lower extreordinary charges to account for its restructuring

Net profit surged to Fl 235m (\$113m) in the latest period from Fl 144m a year earlier. Earnings per share rose to Fl 5.70 from Fl 4.10.

Analysts said they would revise upwards their full-year profits forecasts for DSM after the higher than expected third-quarter profits. Expecta-tions had ranged from F15.20 to F16.29 a share for the third quarter of 1989. DSM shares rose F13.60 to F1118.40.

The group, which is 32 per cent state-owned, posted just FI 8m of extraordinary charges in the latest third quarter, mainly to reflect one-time

losses in connection with the disposal of some operations. Last year, DSM recorded Fl 71m of extraordinary charges for the restructuring programme and other transac-tions.

But tha general earnings growth last quarter was also fuelled by the company's ability to cut net financing spend-ing by half to around ¥115m. Substantially lower Dutch corporate tax rates helped the company keep its tax outlay flat, relative to earnings

growth, the company added. Sales, however, were little changed in the latest third quarter at F12.46bn, compared with FI 2.42bn a year earlier. Operating profit rose to FI 307m from FI 302m against market expectations that it

would fall by about 6 per cent. Analysts said this was an encouraging sign, since mar-ket prices in some of its key sectors have been falling, with demand slipping, putting pres-sure on chemical companies

**ICT's larger-than-expected 12** per cent drop in pre-tax earnings, announced last week, had sparked investors' worries about the profitability of Dutch chemical companies as well. For the first nine months, DSM's operating profit was Fl 1.09hn against

Ist Nooember, 1989

### Veba treads with measured steps David Marsh finds no change of course at the West German giant

The hole left in West Ger-man industry by the death of Mr Rudolf von Bennigsen-Foerder, chairman of the Veba conglomerata, can best be gauged by this week's many pages of large obituary notices in the hig German

newspapers. Mr von Bennigsen, 63, died suddenly in Düsseldorf at the weekend after an attack of pneumonia. But he leaves his DM44bn (\$23bn) turnover com-pany in healthy shape to face the future.

the future. Veba is not commenting on the succession. It says that, for the moment, the company's day-to-day activities will be in the hands of a "collegiate" group of top directors. But it appears almost certain that the job of Mr yon Bennig-sen - who had headed the Vebs group since 1971 - will

Radolf von Bennigsen-Foerder: aristocrat

irony. He once said that, Vebs group since 1971 ~ will be taken in due course by Mr Klans Piltz, the finance direc-tor. He has been viewed for several years as the heir apparalthough neither the Christian Democrats nor the Social Democrats understood anything about money, at least the Social Democrats were aware ent of it.

Mr Piltz, a surprisingly youthful looking 54-year-old, has been Mr von Bennigsen's chief helpmate in preparing and carrying out a series of acquisitions over the past two years. These have confirmed the electricity, chemicals, oil and trading giant's name as one of West Germany's best-managed companies.

Mr von Bennigsen – a can-tious Berlin-born aristocrat with an almost English penchant for understated humour - meanwhile stood almost undisputed among the coun-

try's canniest capitalists. Although a member of the Christian Democratic Party, Mr von Bennigsen treated poli-ticians with condescending

### **Barkmans lifts Saab stake**

BARKMANS, the Swedish investment company wholly owned by the financier Mr Sven-Olof Johansson, has increased its stake in Saab-Scania, the troubled automotive and aerospace group, to 14.5 per cent of Saab's equity and around 16.6 per cent of its voting rights, writes Robert Taylor in Stockholm. During the last two weeks of

Octoher Mr Johansson, through Barkmans, bought an additional 600,000 "A" shares, taking his ownership to 9.80.



1 star

from a state-owned company to an internationally-operating an internationally-operating concern," he says. But he adds: "If these is any: " thing positive to say about this, it is that Piltz is well pre-pared to take over. He has helped model the group's strat-egy as von Bennigsen's right hand man." In an interview at Veba's beedchurders during the sum-

veha functions increasingly

veps functions increasingly: as a holding company, leaving operational decisions at its subsidiaries in the hands of decentralised management. It has built up activities particu-larly in its chemicals and paper sector, first through the unroheas in 1987 of chemicals.

Mr Piltr points out that, even after the recent strength-ening, Veba's chemicals operations are only one fifth of the size of the Big Three Ger-man chemical groups. He hints at further possible moves into high technology areas to con-plement activities at the main Huis subsidiary. Veba has also this year boosted its transport business by taking a 22.5 per cent stake in Schenker, the Bundesbahn's freight subsidiary. Mr Piltz sees the move as strengthening In an interview at Veba's headquarters during the sum-mer, Mr Piltz made clear his attachment to the company's long-term approach. After a big programme of building and refurbishing power stations over the past decade, Veba's overall goal is to lower further its earnings dependence on the energy sector — which now makes up less than half its results. sees the move as strengthening the company's competitive muscle in Europe's post-1992 single market.

Mr Pilts points out that,

Some analysis — especially in London — speculated that Veba's: purchase of the FN stake this summer was a sign of a more aggressive approach to acquisitions.

M r. Plitz however in any way a "hos-tile" takeover and says Veha is under "no pressure" to make an offer to minority sharehold-ers and to consolidate the error

group. Pointing out that Veha had its eye for five or six years on possibly acquiring FN - for-merly part of the Flick indusirial group - he says that Veba will be taking its time to vera with oe taking its time to examine whether any disposals are necessary. He declares: "We have not bought FN to break it up." Decisions on FN's future are likely to take "years rather than months," says Mr Piltz.

Mr von Bennigsen earned the nickname of the "Bismarck" of German industry -and his probable successor is likely to tread with the same measured steps.

de Zoete & Bevan. Mr Mitsuo Imose, Toyo

Listing for Toyo Trust kers to the introduction were

TOYO Trust & Banking Company yesterday became the tenth Japanese bank to the tenth Japanese bank to obtain a listing on the London Stock Exchange this year, writes David Barchard. Toyo Trust, which has total employable funds of Y14,036bu (\$100bn) is the 26th largest bank in the world and the fifth largest trust bank in Japan. The listing was snowsored hy

Trust's president, described his bank as a unique, compre-hensive financial institution. "We intend to list in Paris next year, and with our newly opened Frankfurt representa-tive office, and a subsidiary scheduled to be established in Brussels in the near future, we are making stoady progress in establishing our foothold in an integrated European Commu-nity," Mr Imose said. The listing was sponsored by Barclays de Zoete Wedd, with Toyo Trust International, Nomura International, and S.G.Warburg Securities, Bro-

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The second se This annoascement appears as a matter of record only.

F1 953m last year,

### **Ratners raises price for** Weisfield's to \$62m

#### By Maggle Urry in London

RATNERS, known for cutting prices in its jewellery shops, has had to put up the price it is paying for Weisfield's, a public-ly-quoted US jewellery chain, from \$55m to \$621m. The pur-chase will add 87 shops to Rat-ners' US business, giving it a total of 450 shops. Mr Gerald Ratner, chairman and managing diractor, said shares in the stock market. pushing the share price up to \$53. Weisfield's then received a

weisheid's then received a hid from this third party at \$55 a share. Ratners said it would make a higher offer and the two sides finally agreed at \$57%. Ratner's now has irrevo-cable acceptances from the halden of 11 non with of the Mr Gerand Katter, Chairman and managing director, said the price still represented a good deal, and his company's earnings would be enhanced holders of 51 per cent of the shares Mr Ratner said the control-

ling shareholders were leaving the husiness, planning to retire to play golf in Palm Springs. He said that he was a bit by the takeover in the first full

year. The shares gained 2p yes-terday to close at 260p. disappointed hy having to increase the price, but had felt the original price was "too good to be true." On a per store basis Ratners was buying Weisfield's for \$714,000 a shop Mr Ratner had announced an agreed deal with Weisfield's directors on Monday at a price of \$50 a share. However, the of \$50 a share. However, the Weisfield's directors, who con-trol 51 per cent of the group's shares, had not then signed acceptances although they were expected to do so shortly. However, that day a third party, thought to be Kays, a rival US jewellery retailer with about 470 shops, bought over 10 per cent of Weisfield's whereas it paid \$1.2m a shop

for Osterman's, another US jewellery retailer, last year. The deal is due for completion on December 10, and by then Ratners will have concluded a preference share issue in the US, raising \$150m.

Mr von Bennigsen's biting whimsy will be missed at Veba. But, as for the business itself, purchase in 1987 of chemicals business from the Feldmühle Nobel (FN) group, and then in May this year by taking a 46 per cent stake in the remaining FN concern. "continuity is assured," says Mr Ernst von Randow, analyst at the Metzler bank in Frank-furt. "Piltz has been seen for years as the crown prince." He nchuding the cost of the FN acquisition, Veba is plan-ning roughly DM28bn in

added that Mr von Bennigsen has tended to withdraw from the operational field, functioning more as a strategic over-lord. "We need not fear that, with his death, there are going

Ining roughly DM28bn in investment spending between 1969 and 1999, with much of the liquidity stemming from-high depreciation on past power station construction. Mr. Piltz reckons that Veba's investment amounted to about 150 per cent of depreciation allogrammes over the past five to be any dramatic develop-Mr Peter Müller, an analyst at the Bayernhypo bank in Munich, takes a similar line. "The death is a painful loss. Von Bennigsen presided over the transformation of Veba

allowances over the past five years, a percentage which will fall to 120 to 125 per cent in the next five years. shares. This consolidates his

shares. This consolidates his position as the second biggest shareholder after the Wallen-berg family which owns 20 per cent of Saab's equity and 23 per cent of its voting rights. Yesterday Mr Johansson denied a weekend rumour that he intended to sell bis stake in he intended to sell his stake in Saab. "My position in Saab is not for sale," he told a Swedish business weekly. At the same time, talks have re-opened between Saab and the Italian company Fiat on possible future joint co-operation.

ana ay tanang titi na pikaking kitala sa 



## **NICHIAS Corporation**

### U.S. \$100,000,000

3<sup>1</sup>/<sub>2</sub> per cent. Guaranteed Notes 1993

### with

### Warrants

to subscribe for shares of common stock of Nichias Corporation The Notes will be unconditionally and irrepocably guaranteed by

The Sumitomo Bank, Limited

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

Sumitomo Finance International

Daiwa Europe Limited

Merrill Lynch International Limited

Sumitomo Trust International Limited

Banca del Gottardo

**Bayerische Landesbank Girozentrale** 

Crédit Lyonnais Securities

Leu Securities Limited

New Japan Securities Europe Limited

Taiheiyo Europe Limited

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IBJ International Limited

**DKB** International Limited

**Barclays de Zoete Wedd Limited** James Capel & Co. Limited

**KDB** International (London) Limited

Meiko Europe Limited

Suiss Bank Corporation

At our Annual General Meeting held in May 1988, we adopted an objective of at least 15% per annum growth in net income for three successive years. In 1989 and for the second year running provided nothing untoward occurs, this goal should be achieved because the Group's share of consolidated net income for the first half of 1989 progressed 14.9% over half the result of 1988 and 21.5% over the result of the first half of 1988,

Our result corresponds to a profit of 60.60 FF per share (an increase of 16.3 % over the result of the first half of 1988).

SUSTAINED ACTIVITY DURING THE FIRST HALF OF THE YEAR

This satisfactory evolution is due to the continued development of our credit and investment management activities with clients, and resumed progression of credit allowed to companies.

We have kept tight control over our general openating expenses. We have further improved coverage of our risks by increasing our provisions. And we have increased our shareholders equity by 18.7% since June 30, 1988.

### MAJOR FACTS

• Takeover of Touche Remnant Holdings, Ltd., one of the leading assets management firms in the United Kingdom, bandling assets of 27 billion French Francs.

Strengthened position in the major capital markets. Since July 3, Société Générale is the leading non-American bank trading in the Philadelphia Exchange in Dollar/Deutschmark options.

 Innovation with regard to products offered to private individuals. With our "Galaxy Convention", we have also created a novel formula for facilitating fund management.

· Continuation of our policy of acquiring industrial holdings and financing sectors of the future, such as leisure, transport and communications.

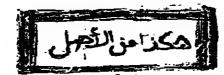
	· ·		
CONSOLIDATED INCOME in millions of French Prance	First half of 1989	First half of 1988	% growth of 5 first half of 1989 over first half of 1988
Net banking income	16,275	15,231	+ 69
Operating expenses	10,722	10,387	+ 32
Gross operating income	5,553	4,844	+146
Net allocations to provisions	2,182	1,859	+ 17.4
Net income	2,014	1,643	+ 22.6
of which Group share	1.747	1.438	+21.5

For addition (33) 1 40.98 5216

### SOCIÉTÉ GÉNÉRALE

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### **INTERNATIONAL COMPANIES AND FINANCE**

### Domestic Seoul acts on misleading audits demand

### boosts Komatsu By Robert Thomson

### in Tokyo

KOMATSU, the Japanese construction machinery maker, yesterday a announced a 31.6 per cent increase in pre-tax profit in Y16.87bn (3819m) for the first half to end-September as domestic demand for construction equipment remained strong, although exports rose only slightly during the period. Total sales rose 11.1 per cent

to Y292.3bn, with domestic sales up 15.7 per cent and for-eign sales rising by 3.5 per cent. Foreign sales of construction equipment, the company's core product, fell by 2.8 per cent, although that was compensated for by a 13.2 per cent increase in domestic sales and significant increases in sales of industrial machinery and components.

in the past three years. The bill will be welcomed by The company expects total sales for the year of Y600bn, an increase of 5.9 per cent, and a pre-tax profit of Y35bn, a 22.7 per cent gain. • Furukawa, the Japanese construction machinery environ foreign securities firms, whose corporate analysis is restricted

construction machinery group, is to acquire two construction is to inclure two construction machinery plants and a sales mut in France formerly belong-ing to Dresser Industries of the US, to produce hydraulically operated shovels in anticipa-tion of the single EC market in 1992, Our Financial Staff

The company last October bought a wheel-loader manu-facturing plant in Heidelberg, West Germany, from Dresser. The cost of the French and German plants totals about Y40bn, Furakawa said.

IDR-holders who wish to vote must fai-

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IDR-holden must defiver the IDRs to the Deponency at the address given below (attention : Securities Department - telephone 32-2-508.02.15 - mise 21752 MORNE 39, justment the Deponiesry as to the menoer in which yours should be case, and micras to whom the IDRs should be returned after the presting.

[DR-bolden who with to yots are also requested to transfer to Morgan Gau-anty Trust Company of New York, New York, for account 670-01-422 of Mor-gan Gauranty Trust Company of New York, Brussels, a four of USD 5.4 per IDR in respect of which a yoto is case.

By Maggie Ford in Secul

COMPANIES IN South Korea by the lack of adequate infor-mation. are in be refused the right in choose their own anditors to certify financial accounts in an The foreign companies

effort in clean up misleading balance sheet reporting. A bill is in be presented to the National Assembly shortly, following revelations by the Securities and Exchange Com-mission of numerous irregular-

help case negotiations between managemants and unions,

where arguments over the

financial status of a company

The Federation of Korean

panies' financial positions only when a company has launched an instrument, such as a con-vertible bond, abroad. The misleading reporting is well known, however. Most analysis of the South Korean The bill is designed to

economy is based on the much enforce the neutrality of public more reliable figures provided accountants in advance of the by the Government, especially the Bank of Korea, the central ning of the stock market to foreign investors in 1992. Officials also believe it will

hank. The SEC report noted a number of major problems in the corporate results of many firms. It singled out one business that reported a profit, when it actually recorded a loss, so that it could meet the requirements for listing on the

Trade Unions has demanded a change in the law to prevent fraudulent company state-ments being used in labour talks. South Korea has had many heated labour disputes in the next three works stock exchange. The company was denied a listing. Many companies deflated Many companies deflates their profits in an effort to evade tax and avoid paying high wage increases. A total of 848 listed companies – many subsidiaries of major business groups - inflated their 1987

profits by as much as Won299bn (\$446m), the SEC

believe they have been able in acquire accurate data on com-Tracking down the status of a company is made more diffi-cult in Sonth Korea by the complex structure of big business groups, which may have up to 40 subsidiaries.

While perhaps a third are usually listed on the Stock Exchange, and must report their financial status, most of the subsidiaries are normally privately held, usually by family members with no disclosure requirement.

An elaborats system of cross-holdings between subsid-iaries, backed up by cross-guar-antees of bank borrowings, makes the system almost impenetrable to anyone outside the top echelons of the company.

Apart from tax evasion, crit-ics say the system allows businessmen in accumulate wealth illegally, and hide their assets, both corporate and personal. The lack of transparency has led to major public complaints about the behaviour of big business, which is seen as cor-

rupt and dishonest. The system also forces the Government into rescuing failed companies, because of the danger of a whole large group going bankrupt if one of its subsidiaries is in severe dif-

ficulties. The system of cross-payment guarantees of debt in place at the Daewoo business group would have threatened the viability of the entire company if its ailing shipyard had not been saved recently by a financial package supported by the

Government. The system means that stock market investing is often based on rumour and instinct rather than on the fundamental position of an individual company. Under the bill, a revision of the corporate andit law, the neutrality of certified public accountants would be gnaran-teed. At present, the accoun-tants are believed to co-operate

with the wishes of companies in preparing financial statements, so as not to lose bush-ness. Accounting standards of accuracy are also expected to be raised significantly.

### New World 12% rise is below forecasts

### By Our Financial Staff

NEW WORLD Development, the Hong Kong property com-pany which agreed in Angust to buy the hotel interests of Ramada of the US, has announced a 12 per cent rise in announced a 12 per cent lise an after-tax profits in the year ending on June 30 to HK\$1.25bn (US\$160m), or HK\$1.08 a share, compared with HK\$1.11bn, or HK\$0.99 a

share in the previous year. The figures, which are below

of 22 cents a share, pushing up the full-year payout to 37 cents, from 31 cents a year earlier. Mr Henry Cheng, Mr Cheng Yu-Tung's son, and managing director of both New World Development and New World Hotels, was optimistic abont the hotel business. But he

on the Pacific Rim and the pledge of the Chinese Govern-ment to continue with its open-door policy and economic reforms, (the) inurism business in Hong Kong will continue to flourish when overseas confidence in China returns," he said.

· China Motor Bus, the franchised Hong Kong public hus company, has reported net profits for the year ended June 30 np by 22 per cent to HK\$50m, from HK\$49m a year earlier, AP-DJ adds from Hong

final dividend of 33 cents a



October 1989

### J. HENRY SCHRODER WAGG & CO. LIMITED

Announces the establishment of its **Representative Office in Madrid** 

### ALONSO ALVAREZ DE TOLEDO Y URQUIJO

### Director – Representative Office

Calle Orfila, 8 28010 Madrid Tel: (91) 419 6451

### **Schroders**

### World, which is controlled by Mr Cheng Yu-Tung, recorded a 32 per cent rise in earnings. The company said it received HK\$756m in rents and should the full year payout to 87 The company's directors have proposed a final dividend earn more in the future through new leases with higher rents and the recent completion of the Hong Kong Convantion and Exhibition Centre, which the group built



### INTERNATIONAL COMPANIES AND FINANCE

### **Georgia Gulf faces** \$1.2bn takeover bid from NL Industries

#### By Roderick Oram in New York

NL INDUSTRIES, controlled by Mr Harold Simmons, the Dallas investor, yesterday made e \$50 a share offer for Georgia Gulf, valuing the chemical company at \$1\_2bn

Georgia Gulf, created in 1985 through the buy-out of the chemicals division of Georgia. Pacific, the forest products groop, said it was considering its options. Its stock rose \$1%

a 9.9 per cent stake in Georgia Guif this year. During the summer it suggested to Georgia Gulf's board that a recapitalis-etion, merger or some other form of transaction at \$55 a share would benefit sharehold.

After inconclusive discussions on the proposals, Georgia Gulf said it would pursue its own alternatives. These could include e take-

Analysts believe the company is worth at least \$60 a

By Robert Taylor in Stockholm

CARDO, the Swedish industrial bolding company affiliated to the Volvo group, and Lucas industries of the UK are to set up a jointly owned

buy out minority shareholders with 1% Valhi shares for each NL share.

**Cardo and Lucas to** 

form brake company

Rockwell hold steady By Anatole Kaletsky in New York ness in some areas of the chemical industry. ROCKWELL International, the Los Angeles-based electronics, Georgia Gulf is a leading producer of chlorine, brine, caustic soda and petrochemicals. It earned net profits of \$193.8m or \$6.75 e share on sales of \$1.06bn last year. Ana-

directors hold 18 per cent of its

stock and employees an addi-tional 6 to 6 per cent. It is also protected by its Delaware

incorporation and e share-

holder rights plan. But Mr Simmons is no

raised its stake in NL to 66 per

cent and recently offered to

western Europe, the US and Brazil. It is also in talks with

Faiveley, the French electrical

equipment, doors and air-con-ditioning group, over the possi-bility of selling Faiveley's prod-ucts outside France.

ucts outside France. Mr Lennart Nilsson, Cardo's chief executive, said yesterday that EFE was only the first stage in a structural response to the reorganisation and increased investment in Euro-nean reilspace

pean railways. Lucas added the venture was

to have a cross-sharebolding arrangement with Faiveley and

collaborative arrangements were to be sought with other railway product companies.

The UK will be EFE's largest market initially, accounting for

third of annual turnover

November, 1989

while North America will account for about 20 per cent.

defence and engineering group, reported virtually no change in its underlying earn-ings in the latest quarter and forecast e steady but flat per-formance in the year ahead. Rockwell made \$126.1m or 56 cents a share in the final lysts are forecasting earnings of about \$7.50 a share this year and about \$6.75 pext, reflecting the downturn in economic conquarter of its fiscal year. This compared with \$185.9m or 70 NL faces e tough fight as Georgia Guif's officers and cents last year.

Underlying

earnings at

But the year-carlier results benefited from several one-time items, including an 18 cents e share tax adjustment and unusually high earnings from the B-1B bomber pro-gramme. Operating earnings stranger to bitter battles. He won a 51 per cent controlling stake in NL in Anguat 1986 after an aggressive two-month campaign. Valhi, one of his investment vehicles, has since from continuing operations were ebout the same as in the previous year. In fiscal 1989 as a whole

Rockwell made net profits of \$734.9m or \$2.87 a share on revenues of \$12.5bn, compared with \$811.9m or \$3.04 in 1988, when revenues were \$11.9bn. Excluding one-time items in both yeers, the 1989 result would have been \$2.47 e share, np 7 per cent on the year before, when underlying earnings were \$2.30 e share. Mr Donald Beall, chairman,

which includes avionics, the Allen-Bradley automation companies, defence electronics and telecommunications, showed e 29 per cent increase in opereting earnings th

Aerospace earnings fell 15 per cent to \$418m. Automotive earnings of \$180m were down slightly on the year before and grephics earnings of \$129m advanced 98 per cent following the introduction of successful new printing press products. Commenting on the outlook, Mr Beall said operating earn-ings in the first half of flacal 1990 would be "somewhat below" the year-earlier level, primarily because of the weak-ness of the automotive market.

Sharp decline at **Placer Pacific By Our Financial Staff** 

PLACEE Pacific, the Australian mining company 75.8 per cent owned by Placer Dome of Canada, reported a sharp drop in nine-month net

Total earnings to September

earlier, a drop of 42 per cent. Revenues rose 31 per cent to A\$134.8m from A\$102.6m.

## General Re surges despite loss from Hurricane Hugo

#### By James Buchan in New York

GENERAL RE, the largest US reinsurance company, has reported strong results for its third quarter in spite of heavy losses resulting from Hurri-cane Hugo, which caused con-siderable damage in the Caribbean and the Carolinas in September.

The company, based Stamford, Connecticut, said it would also suffer losses from the earthquake that hit San Francisco on October 17. How-ever, it added that these would only be reported in the fourth cuarter.

The 39 per cent increase in third-quarter net profits was higher than Wall Street expec-ted and General Re'e stock, which has performed strongly

this year, rose in early trading yesterday morning. Net income was \$145.8m or \$1.60 a share, against \$108.6m or \$1.15 in the corresponding 1988 period.

The company's profitability deteriorated slightly, with the ratio of expenses and claims to premiums in its domestic prop-erty/casualty business rising to 101.7 per cent, from 99 per cent in last year's quarter. But this was principally due to the need to build reserves against catas-trophe losses from Hurricane

eral Re is still insulated from the price war in the primary market for insurance.

tumbled by a third since 1986 as highly competitive primary companies have laid off less risk in the reinsurance market. However, General Re has maintained prices on the business it does write. General Re's domestic prop

erty/casualty premium income in the quarter actually increased to \$443.6m, up from \$410.8m in the 1988 period and \$440.1m in the second quarter of 1989. There is widespread expectation on Wall Street that recent underwriting losses will force primary companies to

Hugo. The result shows that Genfts premium income has

buy more reinsurance. At the nine-month stage, General Re reported net profits of \$445.6m or \$4.87 e sbare, up from \$327.1m or \$3.41.

### Meat processing troubles hang over Canada Packers' sale

Robert Gibbens on prospects for a successful deal

Canada Packers must deal

5 per cent over the past decade, while that of chicken has

lems, such as a special US duty

current year.

be feit.

he McLeans, by reputa-tion one of Caneda's richest families, have chosen e tough time to put 62-year-old Canada Packers, the country's largest food process-

ing group, up for sale. Last month Mr. William F. McLean, 73, the publicity-shy head of Canada Packers from 1954 to 1978, hired R.B.C. Dominion Securities to find a buyer for the family's 30 per cent controlling block and remaining stock. However, analysis say the group may ultimately be broken np as bids are believed to have been

received for parts of it. The decision to sell came as e surprise. The stock market, hulled by the company's slug-gish performance for several years, immediately marked up shares 25 per cent to C\$20, valuing the company at about

The meat packers' troubles extend across the country, where the four biggest compa-C\$750m (US\$641m), Since then the stock has fallen more than 2 points as the spotlight has fallen on nies account for more than half industry sales of C39bn a year. troubles in the meat processing industry, Canada Packers' core

Soon after the McLean family put Canada Pack-ers on the block, the Alberta Government seized The company, which was founded by Mr McLean's father in 1927 as a pork packer, posted a profit of C\$25.2m or 68 Gainers – a western meat packer owned by Mr Peter Pocklington, a flamboyant cents a share for the year ended March 26. Sales stood at C\$3.2bn, about two thirds of Edmonton businessman - for default on a C\$6m provincial which came from meat prod-ucts, a tight-margin business at the best of times.

In the six months to Septem-ber 23 net income was-CS8.14m 30 were A\$14.6m (US\$11.6m) or A\$2.34 e share, from A\$24.9m or A\$4 e share a year or 35 cents last time. Sales eased to C\$1.58bn from

Sales have been stationary

**Continental Airlines chief resigns** 

C\$1.62bn.

tion as e strong manager of Canada Packers and as e direc-tor of several leading compa-nies, including Stelco and the since fiscal 1984 and profits have ranged between 69 cents a share in fiscal 1985 and a high of C\$1.04 in both 1986 and 1987. The trend is lower in the Canadian Imperial Bank of Commence The company has been diver-sifying and rationalising for the past two years but the ben-effits of these moves have yet to

H is son, Paul, sits on the Canada Packers board, representing the fam-lly. But the McLeans no longer play any ective role in manage-

piay any ective fole in manage-ment and, clearly, they want to diversify their investment holding. Mr McLean has put a Decem-ber 15 deadline on finding a buyer for the company. Under a sharebolder rights plan the head head this paired to line up with an aggressive union in its meat packing division, indus-try over-capacity, and con-sumer preference for poultry – per capita consumption of beef and pork has declined by about board bas this period to line up advanced 25 per cent. In addi-tion it faces international proba friendly buyer and ensure all shareholders are offered the on pork and Europe's ban on growth hormones.

same price. Although it is seeking a deal which will keep Canada Packers intact, analysts believe the company will eventually be broken up. The most profitable segments are cheese manufac-turing and edible oils - the processed food side accounted for ebout 14 per cent of sales in

But the company also has strong hrand identification for many food products and a large inventory of urban prop-erty across Canada. Analysis can only guess at the value of this real estate, There are also processing

or more sounds a bit rich in

**Bear Stearns** 

accounting

today's conditions."

Then Cargill, the fast-ex-panding US conglomerate, opened a C\$50m plant near Edmonton to process 6,000 bread of cattle a work Commerci plants in Britain, Europe, Aus-tralia, Mexico and the US, and a trading organisation. One analyst commented: "Id esti-mate Canada Packers might go bead of cattle a week. Competi-tors say that with its low costs it could devastate the beef end for C\$20 to C\$25 a share or C\$700m to C\$800m, but C\$1bn



NEW ISSUE

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۲L CANADIAN UTILITIES LIMITED

17% Debentures 1981 Series

NOTICE OF SINKING FUND REDEMPTION

TO THE HOLDERS of 17% Debentures 1981 Series ("1991 Decembran in June 2011) Limited due December 15, 1998 Issued under a trust inderiturs (the "Principal Trust Inc ture") dated as of March 1, 1972 and inderitural supplemental lineatic, inducing a supplemen-indenture ima "Ninth Supplemental Trust Indenture") dated as of December 8, 1981 rela-tion of the supplemental Trust Indenture") dated as of December 8, 1981 rela-

uno reano Soppensionen dan Internation (Julia Canada and Conception to 19 Die lasse di the 1951 Deberthund, each made between Canadian Us lai Busk Company, Lunded (now Nakongi Trust Company) as Trustee d Inter ènd the indomuese suppensionalis thereto, including the Neth S nauro, boing Nereinstitor collectively reterred to as the "Fittel Indentu

NOTICE IS HEREBY GIVEN THAT, pursuant to the provisions of the Trust Indenture '). Determines ('he 1981 Determus's to redeemed') "represented by configurates bearing de Ignating numbers within the ranges tasted below (including the first and tast number to as range) have been solected by the Trustee for redemption on December 15, 1989 pursuent the annual S2.000.000 (Canadian) shrining lond requestions of the Trust Determines (B) Debertures

Designating Numbers

NOTICE IS ALSO HEREBY GIVEN THAT the 1980 Desentures to be redeemed will be redeemed on December 15, 1989 at 100% of the principal amount thereof (being the sum of \$1000 (Gena dien) for each 1961 Deterture), rogethor with inferest on stud principal amount accruéd day undade to the date fixed for redemption. Contributes represented the 1981 Detertures to redeemed must be suitandered to the Principal Paying Agent in Edmonton, Canada out, at the holdow's option, to any of the paying spens spophing adding Utilities United outputs of Edmonton, Canada. The names and addresses of the paying agents are as follows:

Smorthan, Canada. The names and addresses of the poying works are to a Gent of Mantesst, 1019 – 101 Street, Edmonton, Canada T33 375 (Principal Paying Agent) Bank of Mantrael, 9 Queen Victore Street, London, EC4N 4XN, England Doutsche Bank Aklengesellschaft, Drosse Galussinesse 10-14, 6000 Frankfurt – am – Mein, West Garmany Societe Generate de Burque S.A., 3 Montagne du Part, 8-1000, Brussels, I Sniss Bank Corporation, Asschemovisitär 1, CH 4002, Basis, Smissrein Bangue Generate du Lusombourg S.A., 14 Rue Adringen, Lusembourg Vile, L

NOTICE IS FURTHER GIVEN THAT all interest upon the 1961 Det shall obase from and other December 15, 1969.

DATED to Edmonton, Canada this 27th day of October, 1986

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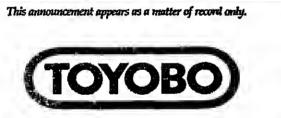
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over or some other type of

share in spite of growing weak.

to \$50½. NL, e chemical company based in Houston, has built up

## TOYOBO CO., LTD.

### U.S.\$150,000,000

33/8 per cent. Notes 1993

with

### Warrants

to subscribe for shares of common stock of Toyobo Co., Ltd.

### **ISSUE PRICE 100 PER CENT.**

**Daiwa Europe Limited** 

**DKB** International Limited

Mitsubishi Finance International plc

Nomura International

Sumitomo Finance International

Bank of Tokyo Capital Markets Group

LTCB International Limited

**BNP** Capital Markets Limited

**Morgan Stanley International** 

Citicorp Investment Bank Limited

Deutsche Bank Capital Markets Limited

**Goldman Sachs International Limited** 

Mitsubishi Trust International Limited

Shearson Lehman Hutton International

Nippon Kangyo Kakumaru (Europe) Limited

Swiss Bank Corporation

**Banque Indosuez** 

Swiss Volksbank

Yamaichi International (Europe) Limited

**IBJ International Limited** 

The Nikko Securities Co., (Europe) Ltd.

Algemene Bank Nederland N.V. Banque Bruxelles Lambert S.A.

Baring Brothers & Co., Limited

**Chase Investment Bank** 

Cosmo Securities (Europe) Limited

Robert Fleming & Co. Limited

Merrill Lynch International Limited

Morgan Grenfell & Co. Limited

New Japan Securities Europe Limited

Salomon Brothers International Limited

Sumitomo Trust International Limited

Taiheiyo Europe Limited

to pursue own business interests CONTINENTAL Airlines, the non-unionised subsidiary of Texas Air, the prominent US airline holding group, declared thet Mr D. Joseph Corr has resigned as chairman, chief executive officer and president to pursue business interests of

his own. Mr Frank Lorenzo, 49, Texas Air chairman, is succeeding Mr Corr as chairman and chief Foret, 44, formerly executive vice president, has heen

### **Reserve Bank** of Australia ex-governor joins AMP

THE AUSTRALIAN Mainal Provident (AMP) Society, the leading life insurance concern in Australasia, has appointed to its principal board Mr R.A. Johnston, formerly governor and chairman of the Reserve Benk of Australia from 1982 to July this year. Benk of Australia from 1982 to July this year. Mr Johnston first joined the Reserve Bank in 1960 and has held e number of senior execu-tive positions with the bank on his climb to the top posts. He was executive director of the Washing kin Washing. the World Bank in Washing-ton from 1977 to 1979.

\* \* \* FEVE, the European Container Glass Federation, has elected as president Mr Frank Davies, chief executive of Rockware, the UK-based glass and plastic containers manufacturer. With 64 members in 17 countries, FEVE says it is one of the most representative trade associations in Europe.

It is based in Brussels. Mr Davies'e appointment as FEVE president is for a period of one year. He has been Rockware chief execotive eince 1983, and before that was a director and divisional managing director of Alcan Alumininm UK. He was president of the Glass Manufacturers Federation from 1985 to 1987.

elected as president. Mr Foret had been responsi-Mr Foret had been respons-ble for planning and finance at Continental, and before that was senior vice president of Texas Air and Eastern Air Lines, Texas Air's other main offshoot.

In contrast to the loss-mak-ing Eastern Air, which has been under Chapter 11 bank-ruptcy protection since March due to a long-ranning strike, Continental has begun a return to profits after two poor years.

NCR, the US manufacturer of computers and husiness machines, said that Mr R. Elton White, executive vice president and currently head of its US Data Processing Group, will assume from the start of next year overall responsibility for marketing worldwide. Mr John Poole, a vice presi-dent, will succeed Mr White as group executive, US Marketing Group.

Mr Khaled Marrei has been named vice president, financial systems division, within NCR's

integrated Systems Group.  $\star \star \star$ AMERICAN Express Bank, the wholly-owned international banking subsidiary of Ameri-can Express, the financial and travel services group, elected Mr William Russo as senior vice president, public affairs and advertising, a newly cre-abed position.

Mr Russo, 38, was previously director, public policy. His career with the American

Express group spans almost 16 years, with the last two years

NATIONAL BANK OF Abu

Dhahi, the largest bank of the United Arab Emirates, appointed Mr James Steele as

managing director and presi-

dent of its wholly-owned sub-sidiary, Abu Dhabi Interna-

ated position.

spent with AEB.

Integrated Systems Group.

**INTERNATIONAL APPOINTMENTS** 

NCR names worldwide

marketing executive

Continental may be sold com-pletely or in part. Mr Lorenzo, in reaction to Mr Corr's resignation, said: "We regret to see Joe leave but we certainly respect his desires. Important operational and financial improvement has been ongoing (at Continental) during Joe's tenure, and we are committed to thet improve-ment continuing."

tional Bank, in Washington.

executive vice president.

den's second largest commer-cial bank, has appointed Mr David Teague as an executive director. He will have responsi-bility for the establishment of a subsidiary in Madrid.

Mr Teague has ewitched from Bankers Trust, where he was vice president in charge of

developing corporate relation-ships in the nordic countries and in the UK. He was previ-ously with Morgan Guaranty.

OUTOKUMPU, the Finnish

state-owned natural resources

group, announced a new finance organisation, effective

from November 1.

financial services.

of the packing business. Mr McLean built his reputa-

expert While Eastern has sold e num-ber of assets to reduce its debt, there has been speculation that steps down

AT BEAR STEARNS, the US securities house, Mr Lee Sei-dler. 54, has stepped down as senior managing director in charge of accounting and tax analysis, reports AP-DJ in New York.

Mr Seidler, who will remain affiliated with the company as a special associate director, said he is taking the action "to have more time to spend trav-

alve more time to spend trav-elling and writing." A member of the firm since 1971, Mr Seidler was made a partner in 1981. Formerly, he was e professor of accounting et New York University's Grad-uate School of Business.

One of the longest running first-team members of the Institutional Investor All-Amtional Bank, in Washington. He replaces Mr Assaad S. Assaad, who retired from the bank at the end of September. Mr Steele gained e strong background in international banking during 22 years of ser-vice with the US-based First National Bank of Atlanta. He joined ADIB in 1985 as senior vice president - credit and etica research team, Mr Seidler ranked first in that magazine's list in the field of accounting analysis for 14 years. \* \* \*

WALGREEN, the leading US drug store chain, elected Mr L. Daniel Jorndt president and chief operating officer, effecvice president - credit and marketing, and was later made tive from the retirement of Mr Fred Canning from these posi-tions on February 1 SVENSKA International, the London-based international investment banking arm of Svenska Handelsbanken, Swe-

Mr Canning has been president for 11 years. Mr Jorndt is at the moment senior vice president and treasurer.

> USdol 204.000.000 Floating Euro-dollar repackaged assets of the Republic of Italy due 1993 F.E.R.A.R.I. 1

For the period from October 31, 1989 to January 31, 1990 the Feraris will carry an interest rate of 8% % per annum with an interest amount of USdol 2.204,17 per USdol 100.000 Ferari.

È

Mr Pentti Hakkarainen, 31. has been named finance direc-tor, while Mr Kai Nurmio, 34, The relevant interest payment date will be January 31, 1990. becomes director - group

Agent Bank: Banque Paribas Luxembourg

### **INTERNATIONAL CAPITAL MARKETS**

### Japan relaxes rules on corporate bond issues

### By Michlyo Nakamoto in Tokyo

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2.

44

JAPAN'S Ministry of Finance is ready to ease the rules that separate Japanese banking and securities by allowing companies to issue short to mediumterm corporate bonds on the domestic market.

Ministry officials said they will consider requests case-by-case from domestic firms wish-ing to issue corporate honds with short maturities. Until now Japanese companies have been allowed to issue on the domestic market only corporate bonds with maturities of four years or more.

The move will enable Japa-nese firms to seek short-term lending on the market rather than through the banks. It rep-resents a step towards the removal of the barrier between banking and securities operations in Japan. Until now short and medium-term corporate bonds could not be issued since they would make the securities companies that underwrite the bonds compete directly with the banks in their business of short-term lending. The development also marks something of a victory for the

**By Rachel Johnson** 

ism in Brazil.

securities companies in their The bickering between secu-rities companies and banks has struggle with the banks to slowed progress on the lifting extend their business as Japan's financial markets become more liberal. "We have always said that setting restrictions on the term [of corporate bonds] is unjustifiable," said

of the rigid rules that have chased Japanese firms away from the domestic corporate bond market to seek funding on the Euromarkets. In the first half of fiscal 1969, from April to September, the total amount of funds raised by Japan official at one of the big four Japanese securities firms. The banks, for their part, see the removal of restrictions on corporate bonds as a threat to anese companies on the Euro-markets reached a record Y6,520bn, exceeding the Y5,790bn provided by the their mainstay lending business, so are likely to make stronger requests for a similar domestic market.

sion on their operations. The ministry hopes that the Deregulation is an irreversible trend, but if the barriers are to gradual removal of term regugranual removal of term regu-lations for corporate bonds will help make the domestic mar-ket more attractive for compa-nies wanting to raise funds. The authorities have stepped up their efforts to bring the corporate bond market home from the Euromarket come down they should all do so without exception, says Mr Masato Tsutsui, senior vice president of the securities division at Dai-ichi Kangyo Bank. However, securities compa-nies feel that allowing the banks into their territory will lead to corporate domination by the banks. Meanwhile, Japafrom the Euromarket. In June the ministry lifted

the ban on short to medium-term Euroyen bonds. Last month the European Commu-nity became the first foreign organisation allowed to issue three-year Samurai bonds, yen denominated foreign bonds. nese companies have com-plained that the debate on financial liberalisation has

### Deutsche **Bank boss** vilifies SE practices

### By Haig Simonian in Frankfurt

MR ROLF Brever, the managing board member of Deutsche Bank responsible for secondary market trading, has scathingly criticised the way West German shares are traded following the dramatic fall in German equity prices last month.

Echoing criticisms from other senior bankers, Mr Breuer focused on the antiquated procedures which conquarter procentres which our tributed to the precipitous decline in domestic equity prices on October 16. "That it was impossible, here at a world market like Frankfurt, to get a share price for a company the Voltage.

for a company like Volkswa-gen, when we can travel to the moon, proved the case for reform," he said.

reform," he said. Mr Breuer stressed the need to bring German stock mar-kets into line with develop-ments elsewhere in Europe. Setting up IBIS, a new share price information system, would be a major step. In time the system could form part of the PIPE (Price Information Project Europe), a share price information network being planned across the continent. Mr Breuer also emphasised the need for a body to repre-sent German banks in the talks on new international rules for banks in the securi-ties borners ties h

The recent losco meeting in Venice had shown up the lack of such an institution. A string of German bodies, including the Finance Ministry, Bundes-bank and the Federal Bank Supervisory Authority, clearly believed that such a function was beyond their scope.

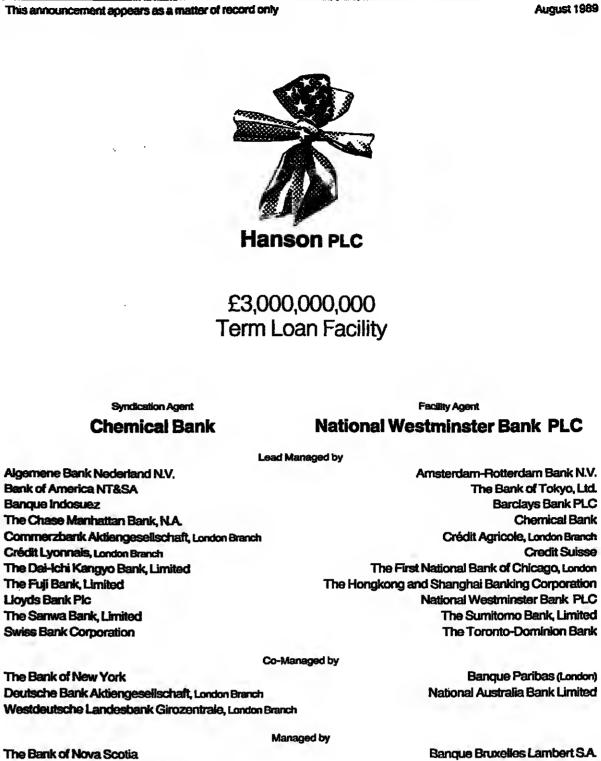
"There must be someone who feels responsible," said Mr Broner. Otherwise, German banks ran the risk of being at a disadvantage co ed with their foreign counterparts, particularly regarding new capital requirements, he

Mr Brever quashed argu ments that German universal hanks could get round the problem by hiving off their investment banking activities into a separate operation to overcome the need for higher capitalisation.

### **Chinese** joint ventures delay loan repayments

MORE joint ventures in China are seeking to reschedule loan repayments due to the eco-nomic uncertainty created by Peking's mid-year Tianan Square massacre, Reuter

reports. Banking officials in Hong



The Bank of Nova Scotia Banque Internationale à Luxembourg S.A. (London) Continental Bank N.A. The Industrial Bank of Japan, Limited The Mitsubishi Bank, Limited The Mitsui Bank, Limited The Royal Bank of Canada Union Bank of Switzerland, London Branch

Citibank, NA. The Daiwa Bank, Limited The Mitsubishi Trust and Banking Corporation Rabobank Nederland, London Branch Security Pacific National Bank

Legal Adviser to the Banks Allen & Overy

### COMPANY NOTICES

NOTICE TO BONDHOLDERS OF THE SANWA BANK, LIMITED U.S. \$100,000,000 2½ PER CENT. **CONVERTIBLE BONDS DUE 2000** 

(the "Bonds")

THE SANWA BANK, LIMITED U.S. \$300,000,000 174 PER CENT. **CONVERTIBLE BONDS DUE 2002** (the "Bonds")



Mellon Bank

23

THE ROYAL UNITED KINGDOM BENEFICENT ASSOCIATION, (RUKBA) is helping more and nacre elderly and infirm people in need, from a problemional or similar back ground,to remain financiarity secure in need, man ground, to versals financially se ther com homes, it also helps the need residential and nursing care, is e registance datarity. Please I William Retibone, RUKBA.Frr Avonmore Road,London, W14 Avenue Read,Londen, W14 988, 1 make e donation or to ask for more lafor mution about how to give by covenant o

> GENEVA SWITZERLAND

Full Service is our Business International law and taxes

Mailbox, telephone, telex and telecopier services Translation and secretarial

Formation, domiciliation

services

INTERNATIONAL banks are to be invited to subscribe between \$300m and \$500m of Brazilian debt to a joint venregulatory approval. The sponsors will approach international commercial ture created to invest in tour-The venture is being formed by Singer and Friedlander, the merchant bank, and its Eurobanks to form an investor group. Banks which join will be represented on the manage-ment committee of the fund, as pean InterAmerican Finance affiliate (Eurinam), which has set up a partnership with a Brazilian tourist project com-pany, Mabisa Servicos Imobiwill their sponsors and advis-ers. The fund's advisers are Mr Sergio Correa da Costa, ex-am-bassador to the UK and UN,

Ministers have singled out tourism as a priority for for-eign investment --- although and Mr Abol Hehny, chairman of Equicap. Given the appropriate regu-

**FT INTERNATIONAL BOND SERVICE** 

Closing prices on November 1 Change to: 200 201 2007 -02 -02 5.07 20 96's 96's -03 -02 5.77 20 96's 96's -03 -03 5.81 30 97's 96's -03 -03 5.81 30 97's 97's -00 -03 5.93 50 97's 97's -03 -03 5.93 50 97's 97's -03 -03 5.93 50 97's 97's -03 -03 5.75 20 104's 104's -03 -03 5.75 20 104's 104's -03 -03 5.79 a day -01 on week -03

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Brit, Tel, Fin, 93, 98	250	1024	1035	-04	-0-1	8.65	E.I. 8. 41g 93 Fe.I. 8. 41g 93 Ireland 51g 93 Norway 51g 95 Sweden 45g 93 World Bant 51g 93
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the venture's sponsors are aware that their plan is depen-dent on the outcome of forth-coming Brazilian elections and latory approvals, the pariner-ship expects the fund to be operational in the first quarter Dext year. • A rights issue of 18.75m shares in the India Fund, a London-listed unit trust estab-

lished for international invest-ment in Indian equities, has been undersubscribed. The offer of 18.75m shares closed on October 25 after 12.39m had been taken up. The remaining shares were placed in the market by Merrill Lynch at the issue price of 214p, rather than placed with the sub-underwriters.

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loans to be rescheduled, and one international law firm reported an increase in legal action being taken by overseas partners in China-based joint ventures.

Many of the loans are for property developments in China's major cities.

Canna's major cities. The largest property joint venture — the China World Trade Centre in Peking — is planning to reschedule its \$280m loan, a senior bank offi-cial said. But a formal resched-viting ulen her pet here we

"Up to now only a few office spaces and apartments have been leased out. Many lease-holders have terminated their contracts on the grounds of delay," the banker said. Another prime project, the Shanghai Exhibition Centre

which has a total investment of \$175m, is asking for a year's delay before commencing repayment of its \$145m syndi-cated loan.

A banker with one of the lenders said construction work on the hotel, office and apart-ment complex had been delayed by almost a year. "Now the lenders and bor-

rowers are facing a deadlock," the banker said. "The foreign pariners declined to inject more shareholders' funds into the project.

"But the creditor banks have refused to reschedule the loan unless the partners put in more money to show their commitment." The China department head of a leading European bank

said: "There are many projects in China which are planning to reschedule loan repayments." China's tourism industry has been hit by the events of June, and he said many loans for hotel projects in tourist areas such as Guilin, Xian and Guangzhou are to be

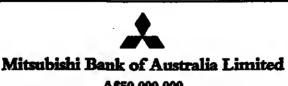
A lender to the China World Trade Centre said: "What we are worried about are China's tourism and business prospects. Even if we let turn that chedule the loan now, what ts. Even if we let them resabout the future?"

He said most lenders did not want to call on the guarantor to pay the loan. "Normally the guarantors are Chinese state corporations. If we all call for payment at the same time, it may trigger a financial crisis and we'll be the ultimate losPursuant to Clause 7, sub-clauses (8) and (C) of the Trust Deed relating to the Bonds, hotice is hereby given as follows:

hereby given as follows:
1. At the meeting of the Board of Directors of The Samwa Bank, Limited (the "Bank") held on 20th October, 1999, resolutions were adopted to issue 80,000,000 new shares on 16th November, 1999 through a public offering in Japen and to issue subscription rights to the holders of Shares entitling them to subscription, et the issue price of ¥1,380 per Share, for 5 new shares for every 100 shares held on the record date of 30th November, 1999, Subscription rights which certificates may be issued by delivery of certificates envious of Shares held on the record date of 30th November, 1999, Subscription rights which certificates may be issued by the Bank upon request of the holders of Shares during the period from 17th Januery, 1990 up to 31st January, 1990. The period during which such subscription rights may be exercised is from 25th January, 1990 to 5th Fabruary, 1990 and the issue date of new shares to be issued upon exercise of such subscription rights while sitch february, 1990.
2. (a) The current Conversion Price of the Bonds of

- 2. (a) The current Conversion Price of the Bonds of ¥1,305.40 per share may be subject to an adjustment with effect from 16th November, 1989 to take account of the issue of 60,000,000 new Shares, in accordance with Condition 5(C(N) of the Bonds.
- Condition 5(C)(V) of the Bonds.
  (b) The current Conversion Price of ¥1,305.40 per shere (or, if adjusted as described in 2(a) above, the adjusted Conversion Price) may be subject to an adjustment (or further adjustment, as the case may be) with effect from 1st December, 1388 to take account of the issue of subscription rights described in 1 above in accordance with Condition 5(C)(ii) of the Bonds. of the Bonds
- of the Bonda. Further notice to Bondholders will be published in accordance with Condition 5(C)(xii) of the Bonda advising of any adjustment to the Con-version Price as a result of the aforementioned financings by the Bank or, if no adjustment in required to be made, that the Conversion Price will remain unchanged,

THE SANWA BANK, LIMITED



A\$50.000.000

Floating Rate Notes due 1991

Notice is hereby given that for the three mooths interest period from 31st October, 1989 to 31st January, 1990 the Notes will carry an Interest Rate of 18,1117% per annum.

interest payable on 31st January, 1990 will amount to A\$2,282.57 per A\$50,000 Note.

> The Mitsubishi Bank, Limited London Branch

Agent Bank

#### **ART GALLERIES**

## EVE has outlived the others because of a policy on fair play and value for scorey. Suppler from 10-5.50 am. Disco and top multiclass, olymphota, becauses, and top

CLUBS

MARTINI GREGORY Early English Watercol-ours.Nov.1st - 24th.10 - 6.Sats 10 - 1.34 Bury Street.St. Jennes's.London SW1.01-429 3721.

Pursuant to Clause 7, sub-clauses (B) and (C) of the Trust Deed relating to the Bonds, notice is hereby given as follows:

NOTICE TO BONDHOLDERS OF

hereby given as follows:

 At the meeting of the Board of Directors of The Sanwa Bank, Limited (the "Bank") held on 20th October, 1989, resolutions were adopted to issue 60,000,000 new shares on 18th November, 1989 through a public offering in Japan and to issue subscription rights to the holders of Shares entitling them to subscribe, at the issue price of ¥1,380 per Share, for 5 new shares for every 100 shares held on the record date of 30th November, 1989. Subscription rights may be transferred by delivery of certificates evidencing such subscription rights which certificates may transferred by convery or cardinates evidencing such subscription rights which certificates may be issued by the Bank upon request of the holders of Shares during the period from 17th January, 1990 up to 31st January, 1990. The period during which such subscription rights may be exercised is from 25th January, 1990 to 5th February, 1990 and the issue date of new shares to be issued upon exercise of such shares to be issued upon exercise of such subscription rights will be 16th February, 1990.

- (a) The current Conversion Price of the Bonds of ¥2,757.80 per share may be subject to an adjustment with effect from 16th November, 1989 to take account of the issue of 60,000,000 new Shares, In accordance with Condition 6(C)(v) of the Bonds.
  - (b) The current Conversion Price of ¥2,767.80 per share (or, if adjusted as described in 2(a) above, the adjusted Conversion Price) may be subject to an adjustment (or further adjustment, as the case may be) with effect from 1st December, 1885 to take account of the issue of subscription rights described in 1 december (or subscription rights described in 2 december (or subscription rights description 2 december (or subscription 2 december (or above in accordance with Condition 6(C)(ii) of the Bonda
- Further notice to Bondholders will be published in accordance with Condition 6(C)(xii) of the Bonds advising of any adjustment to the Con-version Price as a result of the aforementioned financings by the Bank or, if no adjustment is required to be made, that the Conversion Price will complete upphreset will remain unchanged.

THE SANWA BANK, LIMITED

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### **INTERNATIONAL CAPITAL MARKETS**

## Heat is on again for programme traders

Janet Bush on calls for reform that are reminiscent of moves after the Crash of 1987

lthough less panicked, the political response to the sharp stock mar-ket fall of October 13 has been reminiscent of the demands for market reform which followed Black Monday in 1987.

This is partly because a great deal of planned legislation still sits in the files of several committees and sub-co mittees, only partially consider

Various Bills proposed both in the Senate and the House after the Crash of 1987 ran up against the formidable obstacle of the Reagan Administration's free market working group which stood against major reg-ulatory change. Then the Bills eimply died when Congress hroke up shortly before the Presidential election last

While the stock market was rising steadily last year and for most of 1989 when it hit all-time highs, there was little incentive to revive proposed market reform.

That changed on October 13. The precipitous fall of 190 points in the last hour of trading and the extreme volatility since has once again encouraged Congress members, mind-ful of the fears of the individual investors who vote for them, to urge tighter regula-tion and measures to curb the

**By Andrew Freeman** 

THERE WAS A sharp upswing of optimism among Eurobond

syndicate managers yesterday. Despite s continuing lack of

new issues, officials reported

the presence of several poten-tial borrowers and said the

INTERNATIONAL

next two weeks should see vig-

Among possible mandates are dollar deals for Belgium

and New Zealand, while French government agencies

and a few US corporates are also interested. Sears is said to

be bringing a \$300m five-year credit-card backed issue in

around three weeks' time, fol-

lowing an investor roadshow

BONDS

orous issuance.

next week.

EXCHANGE REVIEWS TRADING RULES THE BOARD of governors of the New York Stock Exchange will discuss today how the exchange can respond to wide-spread criticism of programme trading. Mr John Phelan, NYSE chairman, said that the board

would re-examine its current rules providing for temporary halts in trading known as circuit breakers and look at other short-term measures to curb volatility.

Mr Phelan discussed programme trading at a closed meet-ing yesterday of the House Telecommunications and Finance sub-committee. He said this week that volatility related to programme trading, if it kept up long enough, could destroy the markets as a capital raising mechanism.

Euro-issue pipeline shows clear signs of refilling

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**NEW INTERNATIONAL BOND ISSUES** 

100 100

100 99<sup>1</sup>2

1014

stock index arbitrage exce halting programmes for periof the largest institutional ods in times of market stress. Representative Edward Martraders.

Stock index arbitrage is the key, Telecommunications and computerised strategy which Finance Sub-committee chairman, said last week that he was considering legislation which would mandate the seeks to make a turn on price discrepancies between Stan-dard & Poor's 500 futures con-

tracts and their stocks. The crisis last month has once again turned up the heat on programme traders. Last week, a clutch of investment Securities and Exchange Com-mission to design e series of precise "circuit hreakers" which would temporarily halt index arbitrag He said that the 10 to 15 management companies announced that they would no large houses which use this strategy needed to be disci-plined and would "know that longer do husiness with the handful of Wall Street securi-ties houses which do index they could not just push a button, escape, and leave everyone else behind in a panic to absorb all the losses." arbitrage for their own

account. Although nobody has called for an outright ban on pro-Mr Markey's sub-committee is pushing ahead with its Stock Market Reform Act 1989, which gramme trading, as many did in the months following the 1987 Crash, there is talk about would require securities

Borrower US DOLLARS Helwado Co.♦ Japan Storage Battery(a)♦♦

Swiss FRANCS Misubishi Pencil Co.(b)\*\*5 Takashima and Co.(c)\*\*5 Koizumi Sangyo Co.(d)\*\*\$

SIGAB(d)

Svenska He

(plainly programme trades) to the SEC and ensure that the commission had access to information about the financial condition of broker-dealers. A similar Bill is being chamvioned by Senator Donald

Riegle, chairman of the powerful Senate Banking Committee. The dynamics of the market reform debate have changed in the two years since the 1987 Crash. Two differences can be identified. The first is a change of personnel in key political and regulatory positions: the second is that with some market reforms already in place, some argue that enough has been done to protect the securities markets.

he changes of people in key positions are fasci-nating. Under the Reagan Administration, Mr James Baker, then Treasury Secretary, stood resolutely for free markets and anti-regulation while Mr David Ruder, then SEC chairman, argued strongly for tighter regulation and more

power for the Commission. Mr Ruder's views were shared by Mr Nicholas Brady, who wrote a pro-regulation study of the Crash - but he is now Treasury Secretary in a free market administration, as far as one can bell.

Datwa Europe Nikko Secs. (Europ

17/14 Mitsul Finance Int. 7/12 Nippon Credit Int.

Yamalehi Bank (Switz) Dal-Ichi Kangyo Bank

24/15

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1993 1994 1996

1994

To complete the ideological switch, Mr Richard Breeden, the SEC chairman sworn in two days before last month's houses to report large trades "mini crash," is clearly not keen to see more regulatory intrusions on the market.

Mr Breeden supports most of the provisions of the Senate and House reform Bills.

However, he does not advocate increased authority for the SEC to call market halfs. He argued that any hint of a possibility that the market would be closed on an ad hoc basis would be destabilising. The tensions between the

various key figures were evident last week, when several testified to Congress.

Mr Brady supports ultimate power for the SEC: Mr Breeden does not. Wetching an SEC chairman argue against increased authority last week was strange indeed but, on this

was strange indeed but, on this issue, not surprising. Mr Breeden is inextricably linked through the Rea-gan/Bush political continuum and, as such, is ideologically opposed to any more regulaopposed to any more regula-tion than is necessary. His views, backed up by the rela-tively smooth way the markets coped with the volatility of the last two weeks, may weigh against radical reform for the second time around.

For example, the British Air-

basis points over the gilt. Both spreads have actually tight-ened over the last four months.

## Swaps court ruling puts London market in a spin

By Rachel Johnson in London and Janet Bush in New York

**UK GOVERNMENT** bonds lost a point on the news that interest rate swaps between a Lon-don local authority and 70 banks had been declared ille-European markets. In Gergal, and the market braced itself for a wave of gilt selling many, government bonds were fixed 15 to 20 pfennigs down

### GOVERNMENT BONDS

after yesterday'e ruling by a High Court judge.

expectations. This is a unique situation. It will take days or weeks for the market to react to this," said the head of gilt sales at Barclays de Zoete Wedd. No expectations had built up in advance of the ruling, but

market makers on the whole were not caught long on gilts and so initially there was not much selling pressure. How-ever, the implications of the ruling have barely begun to be digested by the banks, many of which had bedged their positions on the swaps and other "exotic" transactions with posi-

tions in gilts. This, according to some esti nates, means the market could face the sale of between £1hr and fl.5bn of short-dated gilts, as the counter parties on the illegal swaps sell the stock they had bought for hedging. The futures market was most reactive on the news. The price of the best indicator, the long gilt future, fell % before stabilising at 92. The situation was described as "panicky amid extremely thin trading." ways 10% per cent issue due 2006 was trading at a spread of 228 basis points, while the Pearson 10% per cent issue of However, most individual institutions appear to be waiting for investment committees to meet before they take decisions to shed stock. At Pearson 10% per cent issue of the same maturity was 265 basis points over the gilt. By contrast, the World Bank 9% per cent deal due 2007 was on a spread of 77 basis points, and the Electricité de France 10% per cent 2009 issue was 91 basis points over the gilt. Both the close, the benchmark Trea-

sury 11% 2003/07 bond fell % to the Federal Open Market Com-mittee, reported slow to moder. 111.02 The All Saints holiday yes-terday made for a quiet day in

and trading was thin. The Bundesbank invited bids for

DM21bn in a repurchase, while

about DM20hn empired, leaving DM10hn of liquidity. The terms of today's new Federal bund continued to dominate trading

ate growth in most districts and generally stable prices. Any upward pressure on prices is moderate. The purchasing managers'

index rose to 47.6 per cent in October, up from 46 per cent in September. This is the sixth consecutive month of decline in the manufacturing economy but the second month in which the rate of slowdown was less than the previous month. The purchasing managers reported a decline in prices for the fifth consecutive month. Overall, the reports pub-lished yesterday seemed to support the view that the con-

**B** US Treasury bonds were quoted modestly higher at mid-session yesterday as trad-ers digested two key reports on economic activity from regional Federal Reserve banks omy is heading for a soft land-ing rather than recession. It is not easy to tell whether the economy is deemed soft enough for the Fed to ease monetary policy. The houd market is now and US purchasing managers. At mid-session, the bench-mark long bond was quoted % point higher to yield 7.90 per

The Fed'e Tan Book, used as a guide to monstary policy in focused on the October employ ment data due tomorrow.

RENCHMARK COVERNMENT BONDS.

	Coupon	Ted.	Price	Chenge	Yield	Week.	Month ago
UK GILTS	13.500	9/92.	104-22	-6/32	11.53	11.37	11.71
	9.759	1/95 10/06	95-03 93-25	-10/32 -13/32	10.68 9.72	10.48 9.53	10.67 9.61
US TREASURY *	8.000	8/99	100-20	+4/32	7.90	7.84	8,28
	8.125	8/19	102-17	+ 6/32	7.90	7.86	8.23
JAPAN No 111	4.600	6/96	94.9252	-0.166	5.47	5.38	-5.22
No 2	5.700	3/07	103.5280	0.000	6.31	5.23	6.10
GERMANY	. 6.750	6/99	97.1500	-0.350	7.16	7.01.	7.04
FRANCE BTAN	· 8.000	7/94	94,7603	+0.055	9.40	9.24	9.17
OAT	8.125	5/99	94.9500	+0.100	8.92	6.78	8.90
CANADA *	9.500	10/98	100.0250	-0.125	9.49	9.41	9.78
NETHERLANDS	7.260	7/99	97.9300	-0.270	7.86	7.41	7.42
AUSTRALIA	12.000	7/90	91.5680	-0.148	13.58	13.70	. 13.66

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LONDON TRADED OPTIONS

### **OECD** sees weaker global markets

INTERNATIONAL finan-cial markets may be losing some of their advantages as domestic capital markets dere-gulate, according to the Organisation for Economic Co-opera-tion and Development, writes Stephen Fidler. According to its Financial

Markets Trends, published tory impediments to financial three times a year, certain structural changes may be activity and the development of new financial techniques in under way in the international many national market places

> A 1997

markets, leading to a weaken-ing of activity in most sectors. Cyclical interest rate and exchange rate factors have also played a part in this slowing of The trend toward deregula-

may be taking away some of the advantages of the interna-tional markets and thus induc-ing some business to return to the domestic markets," it Activity on the international tion of domestic markets, the removal of fiscal and regulafinancial markets remained close to the high levels of 1968 in the first eight months of the year, but that masked a drop in activity in some sectors, the the OECD said. -

1

Convertible. Ofinal terms, a) Coupon cut by 12% from indication, b) Yield to d) Non-callable, e) Launched in three tranches, Y2.4bn, Y1.2bn and Y1.4bn, a linked to Nikkel stock index. \*\*Private placement. With equity warrants, put 3.422%. c) indicated yield to put 3.428%, Coupone between 8<sup>1</sup>2% and 10%. Redemptic The problem for issuing houses is that swap opportunities in the dollar sector are few and far between, while the wider tone of the dollar market is currently dominated by the possibility of the easing of US interest rates. Borrowers with aggressive ewap targets may

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**FT-ACTUARIES SHARE INDICES** 

find it hard to do business. On the secondary market, the world Bank global bond issue continued its strong per-formance over the last few days. Monday's spread against Treasuries of 37 basis points has narrowed impressively to 33 basis points amid good huy-

On a quiet primary market, Daiwa Europe launched a suc-cessful deal with equity war-rants for Helwado, the Japa-nese regional supermarket ing from Canada. Spreads against UK govern-ment bonds of Euro-sterling issues were at record wide levels, with traders saying there had been a significant tiering The bonds met strong of the market in recent ses demand. Daiwa was quoting the paper at 104% bid, a fine sions. Evidence of the weakness of corporate issues is premium to the par issue price.

LONDON MARKET STATISTICS

stark

**RISES AND FALLS YESTERDAY** 

FI-A	FI-ACIUARIES SHARE INDICES								RISES AND FALLS YESTERDAY	LONDON TRADED OPTIONS						
These Indices ar the Institute									Rises     Fails     Same       British Funds     1     92     1       Corporations, Dominion and Foreign Bonds     2     14     2       Industrials     542     255     79       Financial and Properties     196     110     36       Olis     32     14     4	6 south activity remained alow	fracts, marking a steady decline from the beginning of the week when volume has fallen from	big UK brokerage house to deal in up to 10,000 FT-SE 100 Index options. The attempt fell flat when mar-				
EQUITY GROUPS	Wed	nesday	Nøvembe	r 1 1989	Tue Oct 31	Man Oct 30	Fri Oct 27 6	Year ago approx)	Industrials         542         255         79           Financial and Properties         1%         110         36           Olis         32         14         4           Plantations         2         0         0           Mines         40         47         8           Others         109         44         10	ally slack trading in the FT-SE 100 index option reflected the mar- ket's nervousness as well as a	Tuesday. Volums was heavier in call options with 18,131 contracts	ket makers in the FT-SE 100 index option could not provide the options, since they failed to acquire enough futures contracts				
& SUB-SECTIONS		Ean	st. Gross alogs Olv. M% Yield%	Est. P/E xd av Ratio 198	fL .				Totals 924 576 1,44	traditional lull that follows the expiry of the previous month's series.	traded while 8,132 put options changed hands, in a reflection of the low turnover, open interest, a	to cover their exposures. As traders held back from the				
Figures in parentheses show number of stocks per section	No. Ch	ange IM %	d% Yield% ax.) (Act at (25%)	P/E xd av Ratio 198 INet to da	9 Index ite No.	hdex No.	No.	No.	LONDON RECENT ISSUES	Trading in Individual stock		options market amid fears that the UK stock market's current rally could be shortlived, implied				
1 CAPITAL GOODS (208)	868.94	+0.9 1	2.78 4.88	9.58 27.					EQUITIES	options grabbed some attention. After Tuesday's announcement	750,626 on Tuesday from Mon-	volstillty, the options market's perception of volatility in underly-				
3 Contracting, Construction (37)	1365.91	+1.1 1	5.28 5.38 7.98 5.64 1.97 4.98	7.26 55.	19 1351.51	1330.07	972.11 1 1306.13 1 2415.40 2	597.47	hanne Amrite Latest 1999 Price von Date High Later Stock Price von Hiet Times Gross Price Price von Date High Later	that the UK Government will give up its "golden share" in Jaguar,	Apart from activity in the four most active stock options, the	Ing stocks, was at an unexciting 16 per cent for November and 19				
	1928.97	41.4	1.56 3.81 2.10 4.89	13.47 59.	67 1902.22	1887.68	1872.36 1	772.34	- F.P 61 51 Aburest Hey Dawn 8 Wts. 61	paving the way for a takeover of	market was remarkably quiet with hardly any other options trading	per cent for next month. Turnover in the ET-SE contract				
8 Metals and Metal Forming (6) 9 Motors (18)	454.37	+1.1 2	2.63 6.59	4.87 16.	13 449.23	443.46	439.27	512.09	-         F.P.         -         61         51         Advect New Dawn 8 Wts.         61         1         5         -	rushed to take profits on their positions. Total turnover on the LTOM	over 1,000 contracts. The major excitement of the	languished at 5,523 contracts of which 2,760 were calls and 2,763				
10 Other Industrial Materials (24)	1592.94	+0.5 1	8.35 4.70	11.40 51.	93 1585.54 90 1222.65	1561.M	1547.81 1	371.04	674         F.P.         -         82         63         eBrandum Hire 10p	CNLS PETS	day was an unsuccessful bid by a	wore puts. CALLS PUTS Bytime Wer Feb May Ner Feb May				
25 Food Manufacturing (20)	1679.43	+0.8	8.92 5.59 9.44 3.55 9.24 5.89 9.15 5.07	13.26 28. 13.67 25.	28 1092.72	1076.60	1350.53 1 1058.10	983.51	6110         F.P.         -         119         90         900 approx Clarks Group 10p.         100         e4.5         1.9         6.0         8.1           rr         r.P.         21/11         81         66         705C Hidgs         77	Optime         Jun         Apr.         Jul         Jun         Apr.         Jul           Alid         Lyons         420         48         68         76         11         18         23           Mid         Lyons         420         48         68         76         11         18         23           C454         460         265         44         56         36         38         40	Optim         Jan         Apr         Jul         Jan         Apr         Jul           Storebase         110         13         17         19         5         0         10           (*116)         120         8         12         14         10         13         16	Tesco 180 7% 17% 22% 4% 8% 11% (*182) 200 1% 6% 12% 36 212% Optime New Jan Har New Jan Har				
26 Food Retailing (14) 27 Health and Household (14)	2454.79	+8.4	9.24 5.89 9.15 5.07 6.38 1.95 6.56 3.76 1.36 5.63	14.44 44. 18.67 40.	25 2275.93 54 2425.50	2265.45	2248.38 1 2322.53 1	880.33 903.77	85         F.P.         -         46         63         eDiamond Groups (Gagdan, 453)         453         1.1.1.3         4.7         2.3         1.2.2 <th1.2.2< th="">         1.2.2         1.2.2</th1.2.2<>							
31 Packaging & Paper (15)	528.13	+1.6 1	1.38 1.95 1.56 3.76 1.36 5.63	14.49 57. 10.97 16.	17 523.40	518.84	1461.03 1 522.40	568.56		Brit Adments 180 22 30 32 4 7 10 (*195) 200 10 18 21 13 16 20 220 4 9 13 29 30 31	Trafatgar 31.7 27 10 (*335) 330 - 32 55 - 20 25 347 11 - 27	Abbey Ret. 140 512 13 13 2 5 7 (*144) 160 1 3 4 18 18 19 Fernanti 50 8 12 14 13 21 31				
34 Stores (32)	767.75	+2.1	8.90 4.81 1.23 4.81	14.42 107. 11.64 21.	68 758.85	743.43	3392.92 3 731.73	754.41	- F.P 105 80 Leveraged Oppty Tat 83	Srit Can 110 18 25 26 7 10 13	and the second	Ferranti 50 8 12 14 12 22 34 (*57) 68 14 42 7 42 6 8 Optime New Jan Ager New Jan Ager				
35 Textiles (14)	1692.48	-0.1 1 +0.9 1 +0.4	1.23 4.81 1.22 5.77 1.74 4.69 7.96 2.42	11.2 27.	58 1082.70		508.44 1057.85 1467.83 1	917.46	20 (2)	Swithk Bichus 500 - 85 102 - 12 15	(*351) 360 20 32 38 50 57 9 13 16 (*351) 360 20 32 38 22 28 38 990 10 20 - 40 48 -	ASDA Grp. 140 36 17 25 7 10 14 (141 ) 160 33 9 15 19 21 25				
42 Chemicals (22)			2.84 5.35	9.28 43.	50 1167.75	1155.46	1144.93 1 1479.22 1	662.17	4 F.F 144. 132 PF6 Hodgen Keyni 159. 132 -4 50 F.F 32 40 Padife Horizon in 109 44 -2	(*551) 541 39 36 550 - 52 69 - 27 80	(*123) 600 724 954 110 364 184 224 (*123) 650 364 564 754 264 334 36 700 154 344 50 591 46 67	Uptime         Star         New           Gatoway         220         -         -         1         -           (237)         240         1         -         11         -         -				
45 Transport (13)	2127.18	+1.1 1	1.50 4.41	12.18 56.	50 2104.76	2052.77	2057.81 1 1032.52 9	947.09	130 F.P. 2711 US 25 115 Particle Fing Winds 21 41 15 23 10 113 100 F.P. 2711 US 25 115 Particle Fing Arts 129 10 15 25 10 113 100 F.P. 2711 US 25 10 10 10 10 10 10 10 10 10 10 10 10 10	380 10 21 27 28 26 24	Ultramar 280 52 4	(*237.) 240 1 - 11 Optice Sec Car Jan Sec Risr Jan				
48 Miscellaneous (26)	1802.11	+12 9	A1 4.25	11.78 44.	1781_32	1767.91	1744.36 1	249.37	F.P.         -         714         621         Initiation (20, 193)         700         -4         014%         4.3         0.4         531           +         F.P.         -         925         605         101         102         -4         014%         4.3         0.4         531           +         F.P.         -         925         605         1975         hoting 1950         605         -13         016%         7.1         0.4         531           g50         F.P.         -         122         40         Pacific Horizon in 100         44         -2         -	8.P. 240 45 - 210 (7298) 280 26 34 39 7 12 14	(1173anar 280 52 4 (*319) 300 37 40 55 5 12 15 330 29 29 39 22 27 29	Amstral 50 7 38 13 6 8 9 (52) 60 3 6 8 12 12 15				
31 Oil & Gas (15)	2124.45	+0.3 19	28 5,34	12.96 87.	50 2118.50	2898.38	2064.24 1	733.87	90 F.F 94 48 Vinney Meng 10p		Apting	Bencians 460 25 42 50 13 25 20 (*464) 500 9 25 32 40 55 55				
61 FINANCIAL GROUP (121)	749_20 -	+0.3	- 5.63	- 28.	15 719.20	730.34	1157.84 1 722.88	EN 48	FIXED INTEREST STOCKS	(127) 130 - 10 <sup>1</sup> 2 - 10 <sup>1</sup> 2 8as 900 83 - 18 -	Brit Acre 500 53 25	Bine Circle 200 24 34 37 5 9 14 (*216) 220 11 21 25 14 10 25				
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### **UK COMPANY NEWS**

### Profits advance to £13.3m with more than half earned overseas Fenner offers to be Armstrong white knight

### By Clay Harris

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JH FENNER (Holdings), the market raid Mr Barker refused Hull-based power transmission and conveyor belting engineer, said yesterday it had offered itself as a white knight to Armstrong Equipment, the fas-teners manufacturer facing a 196m hostile bid from Caparo Group.

Fenner also reported a 24 per cent increase in pre-tax profits to £13.31m for the year to Sep-tember 2 and said it saw so sign yet in its own UK business of a downturn in demand. Mr Peter Barker, chairman,

said his company wanted to distribute Armstrong's fasten-ers through its growing international network. Although Armstrong so far was committed to maintaining its independence, Mr Barker said he believed the door was still open to a deal. Fenner has built up a 6.23

per cent stake in Armstrong, in part through an attempted

CAPARO, the private holding company which is bidding for Armstrong Equipment, yester-day defeated a proposed special resolution at the annual gen-eral meeting of the industrial footname and an elevation

festener and engineering

The resolution would have

ital. Mr Roy Watts, the chairman

of Armstrong, said the resolu-tion was similar to those approved at the past two annual meetings and was not

part of the company's takeover defence against Caparo which has a 29.3 per cent stake in

Armstrong. "This [the defeat at the poll]

is no more than an irritant and

in the short term does not

affect our plans. It is merely a

By Ray Bashford

group.

favour.

uation of sterling strengthens Fenner's position, not that we to say whether Fenner was are advocates of an ever deprewilling to accept an offer from Caparo at any price or what, if anything, would prompt Fen-ner to enter the arena itself. ciating currency. In the UK itself, Mr Cris Wil-

son, managing director of the Fenner's pre-tax advance power transmission division from £10.72m was achieved on said, "So far there has been no turnover up 10 per cent at £194.52m (£176.27m). Interest evidence whatsoever of any downturn in volumes or eropayable was £3.57m (£3.12m). sion of margins." The company Barnings per share rose, by said, however, that because 20 per cent to 20.29p (16.9p adjusted for a rights issue in May), and a final dividend of 4.9p (4.5p) raises the total to 8.1p (7.5p). Fenner plans to introduce a scrip alternative. many of its products come late in the investment cycle, it would lag any downturn by six to nine months.

Fenner reported an improve-ment from lts 35 per cent owned Indian associate after Although the company does not provide a geographical or divisional breakdown until its its local partner, JK Industries, took over management of the operation. A local stock market flotation is likely within two annual report is published, Mr Barker emphasised that more than half its turnover and profyears.

#### its came from outside the UK. This would insulate it from • COMMENT

difficulties in the UK economy. Moreover, he said, "any deval-With recession feared, Fen-ner is keen to distance itself

> "They should not attempt to tamper with the share structure of the company at this sensitive time," he said.

Caparo had received a weak

caparo han received a weak response from shareholders to the offer by the first closing date but is planning to inten-sify its lobbying of institutions

as the offer moves towards its final closing date on November

Armstrong has until Friday

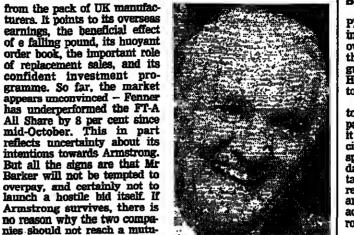
to issue new financial informa-

tion to shareholders. Mr Watts told the 100 share-

holders at the meeting that the company planned to continue expansion through the

existing structure but repeated that the company was also con-sidering making an acquisi-

turers. It points to its overseas earnings, the beneficial effect of e falling pound, its huoyant order book, the important role of replacement sales, and its confident investment programme. So far, the market appears unconvinced - Fenner has underperformed the FT-A All Share by 8 per cent since mid-October. This in part reflects uncertainty about its intentions towards Armstrong. But all the signs are that Mr Barker will not be tempted to overpay, and certainly not to launch a hostile bid itself. If Armstrong survives, there is no reason why the two compa-nies should not reach a mutually beneficial distribution arrangement. Fenner should increase pre-tax profits to £16m. But the full-year effect of the shares issued in the May rights issue will limit eps growth. The shares, up 8p to



Peter Barker: wants to distribute Armstrong fasteners

153p, trade on a prospective p/e of 7.5, where they do not appear expensive

Mr Michael Guthrie, Mecca's

pubs/restaurants from Leading

Midsummer said yesterday that it had bought a total of 15 discos, three bars and three

pubs in recent months and had

a "number of other opportun-ities under review".

Leisure for £5.2m.

### Midsummer buys clubs **Armstrong resolution defeated** and pubs from Mecca

### By David Churchill, Leisure Industries Correspondent

MIDSUMMER LEISURE, the pubs, discos, and snooker clubs group, yesterday acquired 11 discos and two pubs from Mecca Leisure in a deal worth £4.25m. The clubs and pnhs are spread throughout the UK, and

Midsummer expects them to make an "immediate contribution to earnings."

Mecca, the UK's leading operator of nightclubs and dis-cos, said yesterday that the sale was part of the rationalisa-tion following the takeover of Pleasurama last year.

### Stora seeks London quote

STORA of SWEDEN has applied for its B free shares to be traded on the London and Frankfurt Stock Exchanges. Trading is expected to com-mence on both exchanges on November 7. The shares are currently quoted on the Stock-holm Stock Exchange.

The company, which manufacturers forest products, pulp, paper and newsprint, has its

Profit after financial income and expenses for 1989 is forecast to be approximately SKr4bn, an increase of about 10 per cent above 1988.

### See Observer p24

### Meggitt and USH call a truce over £104m takeover battle

#### By Andrew Bolger

PEACE BROKE out yesterday in the acrimonious £104m take-over bid launched by Meggitt, the specialist engineering group, for United Scientific Holdings, the defence contractor.

However, Meggitt continued to insist that it would be prepared to abandon its bid unless it received satisfactory finan-cial information from USH, in spite of the fact that on Tuesday it had received acceptances from shareholders representing 49.94 of USH's equity, and said yesterday that the acceptances had continued to roll in.

The board of USH met yes terday to consider Meggitt's request for information, but issued no statement. Advisers from both sides were in contact to establish the confidentiality of any information which USH hands over.

and weeks looking at the books. We just want to make sure there is nothing terribly Mr Ken Coates, Meggitt's managing director, said he and Mr John Robertshaw, USH's

chairman, had e friendly tele- final hat again extended it until 3pm on Friday, hy which phone conversation on Tuestime it should have accepday night in which Mr Roberttances representing a substanshaw had offered his tial majority of USH's congratulations. Mr Coates said he was now shares.

anxious to lower the tempera-Meggitt's shares closed yes terday at 88p, down 3p. At that price, its partial cash alterna-tive values each USH share at ture of the situation, end the trading of invective and get round a table with USH to establish lts financial 142p. USH shares closed at

127p, down 4p. • Meggitt announced yester-day that it had paid BICC, It seems likely that Meggitt will proceed with the acquist-tion, unless it discovers some the Internetional cables sort of "black hole" in USH's books during its investigations. and construction group, £4.9m in cash for BICC-Citec, an electronic components Meggitt is particularly concerned to establish USH's gearmannfacturer hased in ing and current trading posi-Swindon.

25

Citec, which employs 150 people, makes variable resistors for large motor manufac-"The Takeover Panel would not allow us to sit for weeks turers such as Ford. Meggitt said Citec fitted in well with its electrical components busi-nesses which, including its Spanish subsidiary, reported a turnover of £30m last

wrong." Meggitt has said its offer is

Mr Nigel McCorkell, Meg-

gitt's finance director, said:

### **Rechem nears £5m midterm**

position.

chairman, said the deal was a tidying np operation. "The clubs being sold are largely smaller discos, while our strat-Services, the toxic waste disposal gronp, yesterday announced a 29 per cent rise in egy is to go for the larger and pre-tax profits to £4.67m for the six months to end-September. more ritzy type of nightcluh." Last month Midsummer Turnover increased by 19 per cent to £10.72m. bonght two discos and four

Mr Richard Biffa, chairman said the company had suffered relatively little disruption in the summer when Canadian waste destined for Rechem was turned away from UK ports.

"We did not relish the pub-licity but it had the effect of highlighting the very real prob-lems of toxic waste," he

The company said it was continuing to negotiate for the establishment of an incinerator headquarters in Falun, Sweden, and had turnover in 1988 of SKr34.26bn (£3.1bn) and profcomplex in Europe, in the last its of SKr3.7bn. Earnings per share have grown from SKr19.7 in 1986 to SKr29.7 in 1988 and half year it had established a landfill operation for the disnosal of non-hazardous waste dividends per share from SKr6 to SKr10 over the same period. although this was not expected to make a contribution this

fought local campaign about its incineration plant at Ponty-pool and the difficulties of The group had net cash at September 30 of £5.8m (£4.9m). Earnings per share rose by 33 per cent to 11.4p and the interim dividend is being by 1p obtaining planning permission thronghout Europe. That is

Rechem has few rivals when Share price (pence) 800 700 600 500 400 400 800 A 🗄 200 Jul 1988 months ago. But the drawbacks of being in the environ-mental spotlight were vividly displayed this summer when could find no trace of poly ships carrying toxic waste des-tined for Rechem were returned to Canada. Its vulner-

Rechem

chlorinated biphenyl contami-nation around its plant sent its share price soaring from 518p to 590p, where it remained yes-terday. At that level, the ability to public opinion can also be seen in a fiercely shares are on a p/e multiple of 23 assuming profits before tax of £11m this year. That seems about right but the potential public relations problems mean that Rechem's investors should brace themselves for a possibly bumpy ride.

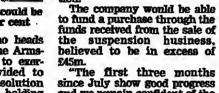
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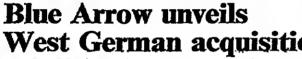
Swraj Paul - holding could be diluted to about 25 per cent .

tactical move by Caparo and is to be deplored," the chairman Mr Swraj Paul, who heads Caparo, said that if the Arms-trong directors were to exer-Shareholders with 29.2 per cent of the capital voted against the resolution and cise the power provided to them through the resolution they would dilute his holding to between 24-25 per cent of the those with 14.8 per cent in capital.



tion.

since July show good progress and we remain confident of the group's prospects for the year as a whole," he said,

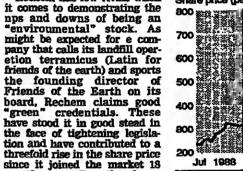


### West German acquisition By Ray Bashford

BLUE ARROW, the world's largest employment agency, has paid DM21.59m (£7.44m) for Manpower Planen & Leisten follow.

Manpower Planen & Leisten Unternehmen Fur Zeitper-sonal, the company's licensee in West Germany. The purchase gives Blue Arrow, through its Manpower embridiary, ownership of all its





# **By Vanessa Houlder**

RECHEM Environmental **O COMMENT** 

and

to the bolders of those £195,000,000 of the £200,000,000 FLOATING RATE NOTES 1993 currently outstanding (the "First 1993 Notes" and, together with the Original Notes, the "Notes")

ABBEY

NATIONAL

NOTICE

to the holders of those £135,820,000 of the £250,000,000 FLOATING RATE NOTES 2000 currently outstanding (the "Original Notes")

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**ABBEY NATIONAL TREASURY SERVICES pic** (the "issuer")

unconditionally and irrevocably guaranteed by

#### **ABBEY NATIONAL pic**

#### (but formerly of Abbey National Building Society)

constituted by Trust Deeds (the "Trust Deeds"), of which the principal i dated 15th October, 1985, all made with The Law Debenture Trust Corpora tion p.Lc. as Trustee for the holders of the Notes (the "Noteholders")

#### NOTICE IS HEREBY GIVEN TO THE NOTEHOLDERS THAT:-

- (i) pursuant to the Terms and Conditions of the Notes (as modified by the Thirbeenth Supplemental Trust Deed dated 24th February, 1989, formal notice of which was given to Noteholders on 27th February, 1989, as a result of the transfer on 12th July, 1989 of the business of Abbey National Building Societies Act 1988, each Noteholder has the option to have all or any of his Notes redeemed by the Issuer at per on the Interest Payment Detects for 17th Juny 1989 (as the many of the Interest Payment) Dates tailing on 17th January, 1990 (in the case of the Original Notes) and Still January, 1990 (in the case of the First 1993 Notes);
- Sth Januery, 1990 (in the case of the First 1933 Notes); (i) to exercise such option, a Notabolder must give notice, in the form obtainable from the specified office of any of the Paying Agents listed below, to any Paying Agent (in the case of the Original Notes) not earlier than 18th November, 1969 not later than 18th Docember, 1969 and (in the case of the First 1993 Notes) not earlier than 6th November, 1989 nor later than 6th December, 1969 and deposit with such notice the Note(s) to be redeemed, but not the Coupon(s) appentiking thereto maturing on the relevant interest Payment Data. Any such notice and deposit shall be irrevocable unless the issuer shall otherwise agree in writing. The Paying Agent with which such Note(s) latere so deposited shall issue to the Noteholder consamed a non-transferable receipt (a "Receipt") in respect of such Notefait: of such Note(s);
- (iii) payment of principal in respect of each Note so deposited will be made ) payment of principal in respect of each Note to deposited will be made egainst presentation and surrender of the relevant Receipt, and payment of the interest Payment Date will be made against presentation and surrender of the relevant Coupon, in each case at the specified office of any of the Paying Agents on or after the relevant interest Payment Date in secondance with the applicable Terms and Conditions;
- (iv) the issuer has agreed to indemnity Noteholders and other persons having a beneficial interest in Original Notes or First 1993 Notes, in each case as a penescal merces in ungran increas or hins 1933 house, in each case as at 27th February, 1989 against certain advance tax consequences which might result from the modifications effected by the above-mentioned Thirteenth Supplemental Trust Deed and/or (to the extent set out in the said Thirteenth Supplemental Trust Deed) the redemption of such Notes or any payment of interest thereon:

Any Noteholder who wishes to inspect copies of the Trust Deads may do so at the specified offices of the Paying Agents listed below:---

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Dated 2nd November, 1969

nesses and strengthens its position in an important European market, Mr Mitchell Fromstein, Blue Arrow chairman said.

"The real opportunity for the Planen & Leisten operates 26 future, however, lies in an aggressive expansion of the Manpower offices, which this year are expected to return German market at those profit pre-tax profits of £1.72m. margins. We are likely to rein-Mr Fromstein said the acqui-sition would result in a "modvest much of the profit sition would result in a "mod-est incremental earnings Fromstein said.

### Metsec open share offer flops

Only 1.3 per cent of the shares in Metsec's \$4.07m open offer have been have subscribed for basis. From 205p on October 10, by shareholders. when the offer was announced, The share issue was firmly Metsec shares have fallen to placed with investors at 196p 185p.

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ashley Groupfin	0.75	Jan 31	-	1.25	-
Bradlord Prop	1.5	Jan 5	1.3	-	2.8
Bridport-Gundry	5.1	Jan 31	5.1	7	7
Cook (William)	4.51	Jan 3	2.75	-	e
Femor (JH)fin		Jan 22	4.5	8.1	7.5
Fundinvest	6.55		5.692	11.01	9.57
Keystone Invfin	7	-	6	10	8.5
New Ireland		-	nii	•	9.31
Office and Elec		-	0.1	-	0.1
Powerscreen Intlint		Jan 9	1.2	-	4.2
Prowting		Dec 11	1.7	-	5
Rechem		Dec 20	2.5	-	8.5
Read hatint	4.6	Jan e	4	-	12
Sec Tat of Scot	0.9		0.75	-#	2.25

Dividends shown pence per share net except where otherwise stated. "Equivalent after allowing for scrip issue, tOn capital increased by rights and/or acquisition issues. §USM stock. §5Unquoted stock. Third market. #Final 1.8p forecast.

BOARD MEETINGS								
The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the pur- pose of considering dividends. Official indica- tions are not evaluable as to whether the dividends are inderime or finals and the sub- divisions allower below are based mainly on last year's titletables.	PUTURE DATES Interime Booth Inds Cabra Estates City Gate Estates Futura Futura London International Property Purtnership Phote & Noter Computer							
TODAY Interime- British-Borneo Petrol Syndicate, Burtonwood Browny, Reming Far Gestern Iov Trust, NFC, Thorpac, Wardond Inv, West- bury, Finale- GR (Holdings), Low (Wina), MMT Com- puting, Snart (J).	Shew (Arthur) Tex Holdings Trimoco Plender Bollway Daryton Consolidated Tet Plender Particle Consolidated Tet Tottenham Hotspur							

Nov. 22 Nov. 8 Nov. 8 Nov. 14 Nov. 24 Nov. 30

### Kleinwort Benson

Kleinwort Benson Limited announces that with effect from 1st November 1989 the Mortgage Base Rate, the Personal Loan Base Rate and the Mortgage Management Account interest rate will increase by 1%. It's hardly surprising that FT Diaries have a worldwide reputation for the highest stands and content. No other diary draws on such an authoritative source as the Financial Times.

from the sales base to double, which should add between 30 Our presigious range of pocket diaries continue to set the standards others follow, exemplified by the quality of the materials used in their manufacture - humrious thick paper, heavy gilt edges, non-fraying marker ribbons and rich gold and 40 per cent to group profits after allowing for interest costs associated with the purchase.

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### **UK COMPANY NEWS**

### Reed falls to £127.8m as realignment skews result

#### By Nikki Talt

26

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REED INTERNATIONAL, the publishing and information oup, yesterday announced a dip in pre-tax profits for the six months to October 1, from £133.2m to £127.8m. Turnover fell from £905.2m to £722m.

The figures, however, were distorted by a number of factors. These included the impact of acquisitions and disposals as the company moved ont of manufacturing to become a pure publishing gronp; cur-rency gains; and a pension fund holiday.

With analysts generally upgrading full year forecasts yesterday – and helped by a 15 per cent interim dividend increase to 4.6p - the shares

gained 15p to 397p. At the operating level, profits from continuing activities rose from £71.8m to £111.6m. The European business pub-lishing division made £28.6m (£19.5m); the US husiness mb-isbing interests £28.5m (£19.7m); books £30m (£17.6m); and consumer publishing Association dividend. £24.5m (£15m).

Acquisitions made during

the first half chipped in £12.9m - with Midem, the French exhibitions business, making a don's Mayfair. small loss, and contributions coming from Independent Tele-vision Publications, publisher of the TV Times, and the former News Corporation travel and electronic publishing inter-ests, both bought in June.

Reed said that the effect of complying with SSAP 24, the new pensions accounting standard, also increased first-half operating profits by £8.4m, and that there was a £3.5m benefit from a favourable currency In the first half of 1988, how-

ever, the company enjoyed operating profits of a further £34m from activities no longer Exceptional profits in the first half also showed a sharp fall - down from £24.8m to £6.4m - relating to the Press

time in the world. In the second half, however, Reed expects to add nearly

£20m to exceptional items, via a sale and leaseback deal on its ferry and container group's head office building in Loninvestors, mostly in the US, who have been waiting more than five months for a concrete Interest earned rose from \$2.6m to \$9.8m, although the recent spate of acquisitions has response to the hostile \$1.02bn bid from Tiphook, a UK con-tainer rental company, and Stena, a private Swedish ferry meant that net debt of around 2250m has now replaced Reed's previous cash pile. The com-pany said that around 40 per cent of annual profits now fall outside the UK, and although the target is around 50 per operator Mr Sherwood released details of a complex and

far-reaching restructuring plan, based on a string of asset disposals, late on Tuesday evening. He beat his self-im-posed deadline of the end of the target is around 50 per cent, no major acquisitions are expected in the near term. Barnings per share slipped from 17.3p to 16.3p. The company said that it was "cantiously optimistic" about the second half, conced-ing that the shart term enticely October by just one hour in New York But US analysts and arbitra-geurs seemed less than con-

away one of the impondera-

Legal action. Mr Sherwood.

**Development costs** 

the distortion of its financial position from developing the process. Turnover was £1.11m (£1.01m). An interim dividend

will not be paid.

bles; but several remain.

vinced yesterday that the announcement of the \$1.1bn asset sale programme had restored the credibility of the affable Mr Sherwood. The ing that the short-term outlook for consumer markets in the UK was not encouraging, but pointing to the group's overall spread of business. See Lex shares continued to hover around the \$53 mark in New York - the level at which the Anglo/Swedish bid is pitched - against the proposed \$70-a-share buy-back offer.

York Trust has 29.8% of ICH

translation.

part of the group.

#### By Nikki Tait

YORK TRUST, the USM-quoted financial services group, yes-terday said that it had snapped up a 29.8 per cent stake in International City Holdings and confirmed that it was holding talks with the money and foreign exchange broker about a possible full offer.

The stake has been acquired largely from Throgmorton Trust, the investment trust, at 60p per share. Throgmorton has sold 17.7m shares, plus a further 1.2m from other inter-ests under common investment management - in total 27.8 per cent. With shares already owned, this takes York to just under the 30 per cent level.

The sale crystallises a significant loss for Throgmorton, which bought its boiding at 192p per share. However, the trust's managers said yesterday that the sale had been made "after careful consideration of possible purchasers and discussions with ICH's ement."

York, which is funding the £11.3m purchase with addi-tional borrowings, said that its own money-broking operation

- Babcock & Brown - would enter a two-year correspondent. relationship with ICH's Fulton Prebon business. This relationship, to exploit the two compa-nies' different geographical and product strengths, would continue whether or not a full

bid emerged. Yesterday, Mr Michael War-ren, ICH chairman, said that the details of the co-operation were still being discussed. On the matter of a possible full bid, York warned that no

further announcement was expected for "a number of weeks." Both parties main-tained yesterday that there were various matters to be con-sidered. York's advisers said their client bad to decide what any further financial commitment would achieve,

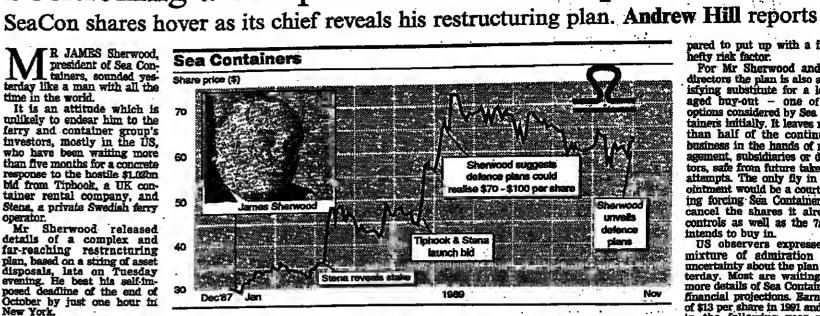
This announcement appears as a matter of record only.

If York did make an offer, it would be obliged to provide a full cash alternative of at least 60p per share. The company is currently capitalised at £35.5m, against £36.7m for ICH, with ICH shares down 2p at 54p yesterday. York had gearing of more than 100 per cent at the March year-end, and funding

would need to be arranged -although the group's advisers seemed relatively confident on this point yesterday. York'e purchase of the Throgmorton stake comes in the wake of an announcement last week by Domeaction, a newly-formed company repre-senting two individuals with a background in money broking, that it was interested in discussing with the ICH board the possibility of making a leveraged offer.

Yesterday, Domeaction said that it was still interested in hit Chelsea Artisans Chalses Artisans, the mirror panelling company traded on the Third Market, incurred a pre-tax loss of £395,000 during the six months to June 30, compared with a £17,000 profit talking to ICH and "had not gone away," but it acknowi-edged that the "game has changed." The presence of a potentially obstructive 29.9 per cent shareholder, in particular, in the previous first half. could pose problems for any leveraged bidder, given that 75 Directors said the loss was due to the development costs and 90 per cent acceptance lev-els become rather more critical of Chromatics, a colour-coat-ing process. The company plans to restructore to avoid

in such situations. Mr Warren added that, while ICH would listen to anything which might be in the interests of shareholders, there had been no renewed approach from Domeaction.



Positioning a complex bulwark to repel the raiders

than in the courts, where it has often sppeared to be bogged down.

But Sea Containers, registered in Bermuda, is currently restrained from dealing in its own chares, and the chief jus-tice of the Bermudan Supreme Court would have to lift or modify that injunction to let the tender offer alternative go ahead. A decision on the origi-nal Tiphook/Stena challenge to Sea Containers' earlier defen-sive actions is expected on or around November 27. Investors may be reassured by Mr Sherwood's comments pesterday that firm buyers have been lined up for all the assets mentioned in Tuesday's statement. That should take

around November 27. • See Containers' annual gen-eral meeting. The whole pack-age of asset disposals and the tender offer is to be put to shareholders at the company's long-awaited annual meeting. is convinced that the struggle for Ses Containers will now take place on the New York Stock Exchange and via share-holder proxy battles, rather Mr Sberwood says the asset sales will be completed the day after that meeting. But when will the meeting take place? "We would like to have the

### **Draft orders threaten** Morland's independence By Lisa Wood

THE CONTINUING independence of Morland, the Thames Valley hrewer in which Whitbread Investment Company (WIC) has a 42.6 per cent stake, could be at risk because of the Government's final draft orders on the brewing industry.

WIC, in a complex formula announced on Tuesday by the Government, could have to cut its stake in Morland to about 30 per cent in order to comply with a ruling in the draft order that seeks to restrict the minority stakes in small brew-ers held by the larger groups and intermediary companies, such as WIC.

Whitbread and WIC, in

per the Sea Containers alterna-tive in the courts. Tiphook and AGM in the course of the cur-Acta in the course of the cur-rent calendar year, but Ber-muda law does allow a grace period of three months," said Mr Sherwood yesterday. If exercised, that would mean a final deadline for the AGM of Morth 21 1000

March 31 1990. Stena and Tiphook's reac-tion. The next closing date for the Anglo/Swedish offer is Fri-the Anglo/Swedish offer is Frithat it is not prepared to bor-row any more to fund its share of the break-up bid, so any increase in the offer would probably have to be funded by Stena.

If the Swedish ferry group decided to raise its bid. Mr Sherwood would have at least \$120m of surplus cash from the asset disposals to pour into an increased tender offer for Sea Containers shares. If the hid was left untouched, the predators could still attempt to scup

Stena hinted at that possibility in a letter to the Sea Containers board yesterday.

The Sea Containers alterna-tive itself is more complex than many observers had expected, and the asset dispos-als more extensive. The plan differs from the original vague proposal of a cash dividend and a stake in the on-going business, in that it should offer all sharehoiders a chance to sell out of Sea Containers at

sen out of sea containers at \$70 a share. Most eeem to believe that the bulk of shareboiders -assuming they do not opt for the certainty of Tiphook and Stena's cash - will accept the tender offer, rather than clinging on to their holdings. That would leave the excess shares tendered in the hands of more sonhisticated investors, pre-

By Clay Harris

nerves have not been frayed by the long wait. "Give it time," he said, **BIA seeks strong partner** as losses mount to £4.9m

Whitbread and WIC making some small reductions in their shareholdings in several small brewers,

However, he added that at some time in the near future WIC could have to substantially reduce its stake in Morland. WIC, he said, faced a dilemma because it would wish to maximise returns to share-holders but would not want to make the company vulnerable to a takeover.

Mr Jarvis said: "A 42.6 per cent stake in a brewery with pubs in the Thames Valley would be worth a lot of money. There must be a 100 people out there who would like 42.6 per cent of Moriand."

An announcement about a apital injection was likely in the near future, BIA said. It is also considering major asset

Mr Peter Villa, chairman, Gatwick. Turnover rose by 25 per cent to £24.3m (£19.5m). The loss per was not available for comment on the results, which were released after the market share deepened to 27.2p (4.3p). BIA once again paid no interim closed. Johnson Fry, BIA's financial adviser, would give no further information about dividend and warned that it

New Jersey analyst and money manager following the bid. "It's positive in that at last we've got something on the table," said one New York arbi-

FINANCIAL TIMES THURSDAY NOVEMBER 2 1989

pared to put up with a fairly hefty risk factor.

directors the plan is also a sat-isfying substitute for a lever-

aged buy-out - one of the options considered by Sea Con-

tainers initially. It leaves more

than half of the continuing

business in the hands of man-agement, subsidiaries or direc-

tors, safe from future takeover

attempts. The only fly in that ointment would be a court rul-

ing forcing Sea Containers to

cancel the shares it already

controls as well as the 7m it

intends to buy in. US observers expressed a

mixture of admiration and

uncertainty about the plan yes-terday. Most are waiting for

ternay. Most are waiting for more details of Sea Containers' financial projections. Earnings of \$13 per share in 1991 and \$16 in the following year were suggested in the original state-ment and a formal filing to the Securities and Exchange Com-mission in New York charts is

mission in New York shortly is

"I think it's classic Jim Sher-

wood," said Mr Jay Goodgal, a

likely to reveal more about the calculations behind those fore-

For Mr Sherwood and his

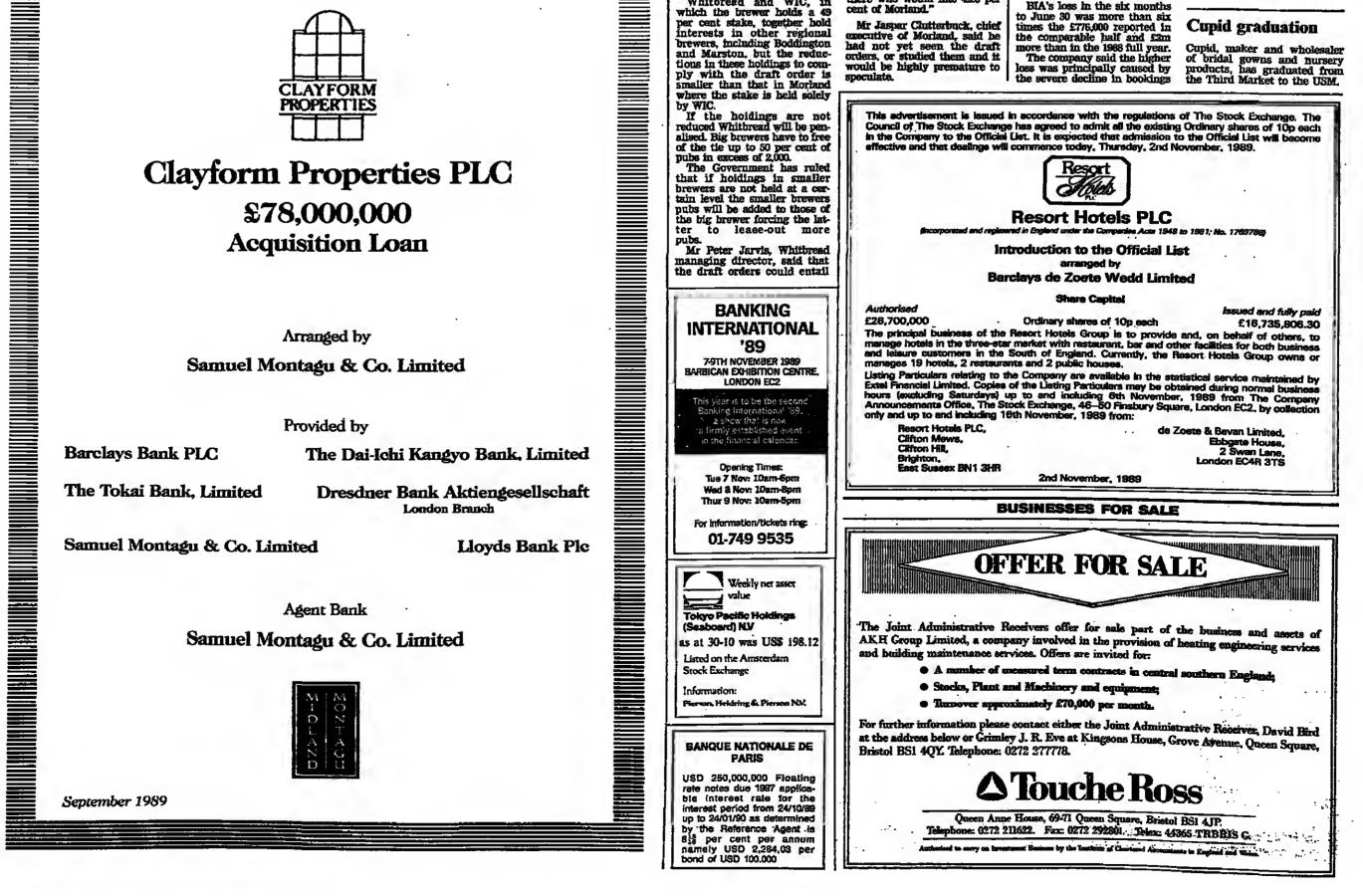
trageur, "and it allows people to get out completely." Mr Sherwood, at any rate, was unperturbed by the failure of the share price to leap to the level of his promised \$70 offer. Five months into the hostile bid he is perhaps the only Sea Containers shareholder whose

BRITISH ISLAND Airways, the with tour operators, which ied USM-traded charter airline, said last night it was close to to a large number of cancelled Dights an alliance with an unnamed "strong partner" after, report-ing much steeper interim BIA has sold two of its eight BAC 1-11e for a total of \$4m (£2.52m). It said it was obtain-

ing valuations on assets including a freehold property at Gatwick airport, the rest of the BAC 1-11s, options to pur-chase its MD63 aircraft, and its take-off and landing slots at

was unlikely to pay a final this year (0.2p in 1988). the potential partner's identity.

BIA's loss in the six months



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MAKE IT YOUR BUSINESS TO CHANGE

### **UK COMPANY NEWS**

### **Bridport-Gundry up 20% at £1m**

#### By Andrew Hill

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BRIDPORT-GUNDRY, the specialist netting, thread and webblng manufacturer, increased pre-tax profits by 20 per cent to £1.04m in the year to July 31, against 2870,000 in 1937-88.

Mr Pat Darley, appointed chairman a year ago, said the results had been held back by the effect of higher interest rates and the fact that disposals took longer than expected. Bridport now aims to strengthen its activities in higher technology and added value products, particularly for

By Raymond Snoddy

YORKSHIRE Television said it

had reached agreement in prin-ciple to buy back 2,500 hours of

television programmes it itself

produced between 1968 and

The programmes, which range from Alan Whicker docu-

mentaries and drama such as

Hadleigh to comedies such as

Rising Damp, are being bought from Palladium Entertainment

of the US, a company run by Mr Gary Dartnall, former head

conditionally agreed to acquire

Nationwide Public Relations,

the holding company of PR Consultants Scotland (PRCS).

Shandwick has also acquired

SHANDWICK

the civil aviation market. The company is also hoping to sell surplus properties to reduce borrowings. Before interest charges of

Yorkshire TV buys back own

of Thorn EMI Screen Enter-

The bulk of the purchase is

made up of programmes made when both Yorkshire and

neighbouring contractor Tyne

Tees operated as independent

programme-making arms of holding company Trident Tele-

Yorkshire Television began the current franchise period in 1981 with nothing in its library. Mr Clive Leach, Yorkshire

Shandwick buys Nationwide PR

vision

has

programmes from Palladium

£836,000 (£578,000), Bridport made £1.88m (£1.45m), including a pensions charge of £171.000.

Charterhall, the investment company headed by Mr Russell Goward, the Australian busi-nessman, still holds 25.8 per cent of Bridport's shares. Earlier this year Charterhall tried unsuccessfully to block resolutions at Bridport's if their performance did not improve, said Bridport. The Halls disposal led to an

annual meeting, as an indication of its frustration with the group's management. Mr Darley said yesterday that Mr Goward had not elaborated on his intentions since

then. Turnover was down from \$38.7m to \$35.1m following dis-posals, including the sale of Halls Barton, the loss-making ropemaker, completed last month. The future of other subsidiaries would be reviewed

managing director, said that the portfolio of programmes was now back where it belonged and "Yorkshire is in its rightful place as one of the biggest UK dealers in the inter-

Yorkshire did not disclose

the price of the deal. Palladinm said it had decided to sell because it was

now concentrating on new pro-grammes for the US and Euro-

national market."

pean markets.

(\$1.86m). The group loss for the year, after dividend payments, was £1.57m, against a 1987-88 loss of £1.98m. But the pro-ceeds of the Halls sale — about 52.8m - and property profits should halve Bridport's bor-rowings, taking gearing down to 30 or 40 per cent. Earnings slipped from 5.76p to 5.05p per share during the year, but Bridport recom-mended an unchanged final dividend of 5.1p, which keeps the full-year pay-out at

extraordinary charge of £1.37m

### SmithKline **Beecham** gets drug booster

SmithKline Beecham, the Anglo-American drugs com-pany, was given a boost after a US Government advisory com-mittee recommended marketing approval for Eminase, an important product under development by the group for treat-ing heart-attack victims.

Analysts beliave the drug could produce annual sales of up to \$200m (£127m) a year by up to \$200m (£127m) a year by the mid-1990s. Yesterday'a announcement by an advisory committee of the US Food and Drug Administration strength-ened the possibility that Smith-Kline will be able to start sales of the product next year in the US, the world's biggest medi-cines market. cines market.

The recommendation by the committee is not binding and the FDA said yesterday it could not give a date for decid-

clots, is a relatively new area of therapy. Some drug-industry observers think the products will lead to a large amount of new business for the sector.

### **Burmah** acquires base in Chile

Burmah Oil has entered the Chilean fuels market through the acquisition of a 50 per cent

stake in Comar, owner of more than 100 service stations nationwide, for about 56m. Comar is the only indepen-dent fuels retailer in Chile, and

has almost 7 per cent of the market. Comar will also dis-tribute Castrol lubricants.



### A FURTHER move upmarket and the ability to maintain the higher prices achieved last year enabled Prowting, the Ruislip-based housebuilder, to limit the fall in its interim profits to 9 per cent to £9.71m despite a 31 per cent fall in łmr

turnover. Mr Terry Roydon, managing director, said that the housing market was likely to remain subdued and the group was looking to making use of its substantial land bank for prof-its in the medium-term. Land remained in short sup-tic he said and the groupany

bill a long, low cost bank. "Recent decisions by the Secre-tary of State for the Environ-ment demonstrate that new land in desirable areas is becoming ever more difficult to obtain. We therefore see lit-

to obtain. We therefore see lit-tile point in selling too cheaply in order to boost profits and cash in the short term." The company holds land with planning permission for 5,400 plots and has a further 3,500 potential plots which on the present sales rate of 180 in the six months, against 270, would be sufficient for between 12 and 15 years. Mr Roydon said that one of the larger sites had been eiven

the larger sites had been given planning permission for an

planning permission for an out-of-town shopping area and permission was being sought for another site. Both of these would be sold to developers. He added that Prowting would also consider the pur-chase of other builders if sui-able companies became avail-able. He thought that in the present climate there might be present climate there might be en increasing number of such opportunities. However other strategies

such as moving north and increasing its developments in Portugal were discounted. Prowing had been involved in developments in Portugal for a few years but they would not form an important part of the company in the future.

The housing market was nalikely to recover until inter-est rates were seen to be fall-ing significantly, Mr Roydon said, which was not expected until inflation was controlled. In the meantime building costs were steady which removed

one pressure on margins. In the six months to end-Au gust, pre-tax profits were 59.7im (£10.67m) on turnover of £30m (£43.35m). Operating profit was higher at £11.17m (£11.03m) but the interest charge was up from £352,000 to £1.45m.

MR ANDREW Cook, chairman of William Cook, the Shaffield based manufacturer of steel castings, yesterday unveiled a £1.91m advance to £3.74m in pre-tax profits for the half year to September 30.

The group acquired George Blair, a steelfounding and engi-neering company, for £16.5m in July and Blackett Hutton, a steel castings company, for fl.fsm in September. Mr Cook said the half year results contained only limited

contributions from the two companies but added that he was extremely confident of a substantial contribution from Blair over the next six months.

Turnover accelerated from 526.03m to 542.64m and earn-ings worked through 8.41p higher at 21.54p. The interim dividend is lifted from 2.75p to

4.5p. Currently, all group compa-nies had satisfactory order books and the plants were runming at record activity levels. For the 1988-89 year Cook returned profits of \$5.06m from turnover of £58.98m.

### Profits setback at. **Davenport Knitwear**

**Profits of Davenport Knitwear** fell from £414,000 to £76,000 pre-tax for the first six months of 1989 from turnover £430,000 lower at £2.95m.

At the trading level, the company, which manufactures knitted fabrics and garments, ran up a loss of £100,000 compared with previous profits of £256,000. Investment income rose from £214,000 to £226,000.

Tax of £26,000 (£145,000) left earnings per 10p share at 2.88p (15.5p). For the year 1988 as a whole profits fell to fim (fl.17m) at the pre-tax level.

Fundinvest nav rises 187.2p to 787.6p

Net revenue of Fundinvest, the investment trust, improved from £1.13m to £1.29m for the 12 months ended September 30, after taking account of a £138,000 rise in tax to £517,000. Gross income rose from £1.86m to £1.98m.

By the year-end net asset value per 25p share had risen by 187.2p to stand at 787.6p. Earnings emerged at 11.01p (9.57p) and a final dividend of 6.55p raises the total from 9.562p to 11.01p.

### Securities Trust of Scotland assets up

Net asset value per 25p share of the Securities Trust of Scot-land stood at 75.6p at end-Sep-April

enue to \$5.04m (£3.69m) after over increased from £1.6m to-tax of £1.88m (£1.39m). Earn- £1.89m. Mr David Unwin, chairman mes were 1.56p (1.14p) and the said the results reflected the costs incurred in opening the new production facilities in interim dividend 0.9p (0.75p adjusted). The directors expect to recommend a final of 1.8p to raise the total by 0.45p to 2.7p. Telford and Bristol and were in

NEWS DIGEST

William Cook ahead to £3.7m

**OEM deficit** 

The loss reported for the full

from £4.02m to £1.84m.

**J** England falls

£0.19m into red

FINANCIAL TIMES THURSDAY NOVEMBER 2 1949

line with projections. Growth potential had now been enhanced on existing Modest reduction in operations by these moves and

provided a sound base for a return to profitability. Loss per share\_was 3.18p **Office and Electronic Machines** reduced its interim pre-tax losses slightly. In the six (0.69n earnings). There is no interim dividend - the last payment was in respect of 1982. months to June 30 the deficit was £724,000, compared with £788,000 in the first half of 1968.

#### Sharp decline at year was more than halved **Bradford Property**

Turnover at the manufactur-The Bradford Property Trust ing and distribution group fell to £9.21m (£10.02m), but the involved in property dealing and investment, saw a sharp contraction in taxable profits for the half year to October 5. The outcome – down from rating loss from continuing businesses was down to £572,000 (£682,000).

Losses per share were 11.85p (12.08p) and the interim divi-£12.55m to £8.12m - was struck on rental income of 5.55m (£4.74m), and reflected profits from sales of dealing properties more than halved at £4.09m (£8.52m). dend is maintained at 0.1p. There was an extraordinary credit of £1.65m (nil) being the transfer from the revaluation reserve of the surplus from the sale of a warehouse.

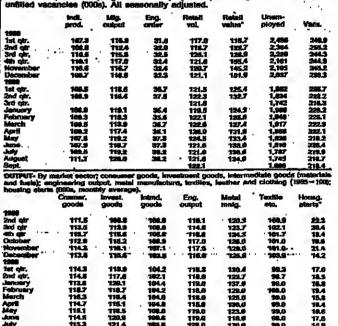
Sales by dealing companies declined fell from £15.18m to £6.94m.

The group's share of profits from related companies also showed a substantial decline to £80,000 (£520,000).

J England Group, the produce supplier, convenience foods and fashion garments concern, fell into the red in the half year An interim dividend of 1.5p (1.8p after adjustment for the subdivision of shares in August) is payable from earn-ings of 3.63p (5.76p) per 5p to July 1 1999 with a pre-tax loss of £192,353, against a £41,263 profit last time. Turn-

### UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of Industrial production, manufacturing output (1986=100); engineering orders (£ billion); retail sales volume (1985=160);retail (1985 = 100); engineerin salee value (1985 = 100) 



the operations of the Presko Group in South East Asia which includes full service public relations consultances in Thailand and Malaysia. Initial consideration for

Director resigns at Federated Housing

Mr Keith Palmer has resigned as managing director of Federated Housing, the Kent housebuilder.

Mr Peter Meyer, chairman, will also act as managing direc-tor for the foreseeable future. The company said yesterday: "Mr Palmer lives in the West Country and wishes to spend more time in this area."

TI out of smoke with sale of Nihon stake By Clay Harris

#### TI GROUP has completed its Calsonic, formerly Nihon exit from automotive exhaust manufacturing with the sale of Radiator, is TI's Japanese part-ner at the plant. It is paying its 50 per cent stake in TI Nihon, the dedicated supplier to Nissan'a assembly plant at sam to take full control of the UK operation and a Dutch-based distributor of exhaust

Washington, Type and Wear. systems to the spares market.

FINANCIAL TIMES CONFERENCES

pre-tax profits of £245,000 for the year to March 31 1989 on operating income of £1.9m, is £1.51m, comprising £773,000 cash and an issue to the ven-dors of 578,125 Shandwick Further performance related consideration may become due but the total will not exceed

(£9.5m).

Nationwide, which reported Consideration for the Presko Group, which has warranted pre-tax profits of \$600,000 (£379,000) and \$880,000 for the years December 31 1990 and 1991 respectively, is an initial \$4m cash from Shandwick'a own resources. Further perfor-mance related payments may become due but the total con-

sideration will not exceed \$15m

ing the matter. Treatment of heart-attack victims with drugs such as Eminase, which dissolve blood

	The average price of houses tember after deducting prior August 114.6 121.4 10.5 120.0 120.0 90.0 10.8 sold in the period was £150,000 charges at par, compared with
THE	the previous year of £107.000. deducting prior charges at Epot know (20); terms of trade (1955=100); official reserves.
	There are or southing inverses after the neuros were 1 2008
<b>FOOD &amp; DRINK INDUSTRY</b>	is maintained at 1.7p. investment trust lifted net rev- November 198.3 131.3 -1,850 -1,883 +199 90.7 51.8 December 199.8 131.2 -1,615 -1,646 +162 97.0 51.6 December 199.8 131.2 -1,615 -1,446 +162 97.0 51.6 1989
IN EUROPE	SPONSORED SECURITIES           194 qtr.         112.8         140.4         6,874         4,877         + 241         98.9         48.73           SPONSORED SECURITIES           Gross Yield           High Low         Company         Price         Canage dir (p)         %         98.9         48.87         4.987         + 241         98.9         48.87           SPONSORED SECURITIES           fores Yield           High Low         Company         Price         Canage dir (p)         %
London - 28 & 29 November, 1989	SPONSOREDSECURITIES         March         115.8         138.2         -1.718         -1.817         + 126         98.5         91.0           High Low         Company         Price         Cange dir (a)         % P/E         Juno         111.5         148.0         -2.173         -1.453         + 134         98.5         98.7         50.8           High Low         Company         Price         Cange dir (a)         % P/E         Juno         111.4         138.4         -1.725         -1.453         + 134         98.9         47.20           343         275         Ass. Brit. Loid. Ordinary         336         0         10.3         3.1         91.         August         111.1         141.1         -2.546         -2.247         + 2.540         + 55         98.3         42.83           36         28         Armitage and Rhodet         27         0         -
Strategies for the Single European Market, developments in important business sectors and the pressing issue of safety and standards are	210 149 Bardos Group (SE)
the main themes for this topical FT conference.	110         105         0         110         10.5         -         All sessonally adjusted. Clearing Bank base rate (and pariod).           104         106         Breaking St, % New C.C.R.P
The speakers include:	
Rt Hon John Gummer, MP       Mr George J Bull         Minister of Agriculture,       Chairman & Chief Executive         Fisheries and Food       International Distillers & Vintners Limited	225       140       Carlor Jrie 150       210       0       7.5       3.6       2.4       2nd qtr       8.5       14.6       16.4       +22,806       4,173       +1,022       8.80         110       100       Carlor Jrie 150       10.0       0       10.3       9.4       -       2nd qtr       7.7       18.8       18.4       +22,806       4,173       +1,022       8.80         7.5       1.5       Magnet Gp Non-Voting A Car <sup>4</sup> 1.5 cm       0       -       -       4th qtr       7.7       18.8       18.5       +22,802       3,182       +800       13.70         5       0.75       Magnet Gp Non-Voting A Car <sup>4</sup> 0.75 cms       0       -       -       November       7.7       18.8       18.5       +22,802       3,182       +800       13.70         5       0.75       Magnet Gp Non-Voting B Cor <sup>4</sup> 0.75 cms       0       -       -       November       7.7       18.4       17.4       +5,900       3,182       +349       13.06         130       119       154 Group       2.0       0       8.0       6.7       6.9       1900       15.0       17.5       +7,398       2081       +236       13.09
Mr Raymond Mac Sharry Member of the Commission of the European Communities Mr Michael H Jordan President & Chief Executive Officer PepsiCo Worldwide Foods	225       140       Carbo 7.56       7.8       3.8       2.4       3.8       2.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       3.8       0.4       7.7       18.8       18.3       +22.86       4.172       +1.022       8.8         7.5       1.5       Magnet 6p Non-Voting 8 Cov <sup>2</sup> 0.75sus       0       -       -       -       Nonember       7.7       18.8       17.3       +3.000       3.460       +7.7       18.8       17.3       +3.000       3.460       +7.7       18.8       17.3       +3.000       3.460       +7.7       18.8       17.3       +7.3000       3.760       +3.40       17.8       17.4       +5.000       3.760       17.8       17.4       +5.000       3.760       17.8       17.4       +5.000       3.760       17.8       17.4       +5.000       3.760       17.8       17.4       +5.000       3.760       17.8       17.4       +5.000       3.760       17.8       17.4       +5.000       1.78       17.200       17
Mr Camillo Pagano       Mr Anthony A Greener         Executive Vice President       Managing Director         Nestlé       United Distillers plc	SAU SED W/S TRUES
Mr Martin Braisford     Mr Domenico Barill       Managing Director     Direttore Generale Commerciale       Premier Brands Limited     Parmalat SpA	Grauville & Co. Limited         Grauville Davies Limited         188         86.5         111.5         122.7         182.5         1,747         71.8           77 Manuell Screer, London E1 8AF         108.6         98.5         98.5         112.5         142.7         782.5         1,477         77.3           Member of TSA         Telephone 01-488 1212         Member of The ISE 6, TSA         Member of The ISE 6, TSA         108.8         108.8         108.4         108.5         108.5         108.7         14.69         77.3
Mr Michael FosterDr Francis J PocockManaging DirectorTechnical DirectorCourage LimitedGrand Metropolitan Foods Europe	
Mr Martin LangfordProfessor David StoutManaging DirectorHead of EconomicsBurson-MarstellerUnilever PLC	
A limited amount of exhibition space is available	Thursday/Friday 7th/8th December 1989. A major conference on the economic outlook for the
The Food & Drink To: Financial Times Conference Organisation 126 Jermyn Street, London SWIY 4UJ, England Tet: 01-925 2323. Fax: 01-925 2125. Tb:: 27347 FTCONF G	UK, featuring Cembridge Economic outlook for the model, industry sector prospects and policy options. The event is essential for all business analysts and
Industry Name	decision makers. In the second
in Europe Position	Image: Speakers will include: Patrick Minford, Michael Artis, Garel Rhys, Graham Gudgen, Tony Cockerill, Michael Fleming.       Over 1 up to 2135 1312 112 1212 145 1412 1212 1412 1314 1124 1214 1214 1112 1314 1314
Company     Company     Please send me further details     Address	Regional and company prospects     Industry sector analysis     Over 6 up to 7
POT A FINANCIAL TIMES Postcode Country	For further details contract
	For further details contact:         Over 15 up to 25         105 101 101 101 111 111 111 103 103 103 103
Type of Business	Manchester Business School, Booth Street West, Manchester M15 6PB. Tel: 061-275 6333, ext 6396. Telex. 668354. Fax: 061-273 7732 UNIVERSITY OF MANSCREATER

## Ashley makes £5.9m in period of change

### By Maggle Urry

h

ASHLEY GROUP, until a year ago a barely profitable shell company, yesterday reported a pre-tax profit of £5.9m for the year to end August.

The company now has two main businesses - food retail-ing in Spain and window blind marchandising and distribu-tion within and from the UK. The shares rose by 4p to 98p. Mr Tony Butler, chief execu-

tive, said the year had been "one of fundamental change" and profit comparisons ware and possible. Ha said people thought the mix of activities was strange, but added that both were distribution businesses, centred on Europe, where management could add value

The group, he said, was not about to "lurch sideways into other areas" and that the emphasis was on "maintaining emphasis was on "maintaining quality of earnings rather than pursuing size for size's sake." Group sales during the year totalled £191.8m. Earnings per share were 6.84p, and a final dividend of 0.75p is proposed to

give a total of 1.25p. The Spanish food business, based on Digsa which Ashley bought from Gateway at the start of the year, had been added to with the acquisition in May this year of Almacenes

Mr David Fisher, in charge of the food business, said Digsa had increased like-for-like sales by 7 per cent.

CHASE INVESTMENT Bank bas written to Essex Water

**Company shareholders offering** 

to buy their irredeemable pref-

response from Essex, a statu-

tory water company controlled

by Lyonnaise des Eaux, one of the largest French water sup-

The group has told stock-holders to take no action until

Chase has written to certain

....

1

Essex stockholders offering to

1.24

recaive further

The move drew a terse

By Andrew Hill

erence stock.

pliers

tbev

advice.

Castillo contributed sales of £13.3m and trading profits of £617,000 in its three months of own

**Chase Investment offer** 

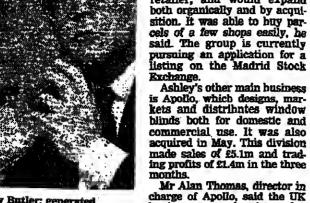
companies.

angers Essex Water



strong cash flow

In total it made sales of \$171.8m and trading profits of \$3.97m, up 45 per cent or 33 per cent on a like-for-like basis.



Tony Butler: generated

business was showing sales gains of 9 per cent despite the difficulties in the retail market at present. Exports, about 13 per cent of turnover, were ahead by 69 per cent. He fore-saw growth opportunities in Europe through acquisitions or joint ventures. Mr Butler said the group was currently con-

wnership. Mr Fisher said the Spanish

the group was currently con-sidering two such deals. Mr Butler added that the group generated strong cash flow and that the year-end bal-ance sheet showed net assets of £33.6m and net cash of £5.6m. He did not foresee the need to remit cash from Spain to cover UK dividends.



from Sharp

& Law

**By Andrew Hill** 

the group.

#### US buy helps Powerscreen climb to £8.1m Receiver raises £14m By Ray Bashford

based manufscturer of crushing and screening equipment, increased pre-tax profits 34 per cent from £6.51m to £8.05m in the six months to September

The result was achieved on a ADMINISTRATIVE receivers 54.5 per cent growth in turn-over to £31.53m (£20.41m), due at Sharp & Law have already sold four subsidiaries of the ailing shopfitter raising about £14m and saving 700 of the 1,200 jobs at the Bradford largely to the contribution from Royer Industries, the US manufacturer of waste shred-ding and sludge recycling equipment bought in January. Mr Michael Jordan and Mr

Michael Moore of Cork Gally, The \$8m Royer purchase helped lift the proportion of turnover generated in North part of the accountancy firm Coopers & Lybrand, were called in at the parent com-America to 48 per cent. The UK pany last month. They said yesterday that they had suc-cessfully completed a restruct-uring of various companies in with 31 per cent and continen-

POWERSCREEN Internat-ional, the Northern Ireland- were the other principal income sources. Powerscreen was encouraged

by the increased importance of the company's operations in continental Europe which made an 11 per cent contribution to turnover last year. "Europe remains our fastest

growing geographic area, par-ticularly in the recycling and crushing sector. We have continued our policy of appointing dealers with a new presence being established in Belgium, Switzerland, Germany and Portugal," said the company.

Powerscreen paid an average 20 per cent tax rate which was beld down by the 10 per cent

Hitech-10 machine, launched in

October 1987, was acknowl-edged as a technology leader. It

was one of the first companies

rate it pays on exports of manufactured goods from the Republic of Ireland.

Earnings per share rose to 8.3p (6.7p) fully diluted. The interim dividend has been increased 20 per cent to 1.45p (1.2p) per share.

#### **COMMENT**

The maiden contribution from Royer gives encouragement for the longer-term potential of the Pennsylvania-based company as an important profits centre. Although Royer works on a considerably lower margin than other parts of the group, it is expected to deliver pre-tax profits of \$2m for the full year and this could rise to \$3.5m in

the following 12 months. Powerscreen is well placed, having no borrowings, to make another acquisition, probably in the US. The disposal of the Belleek Pottery, which was acquired last year to the surprise of some City analysts, remains highly possible and this would further strengthen Powerscrean's purchasing power. These results, a recent senior management change and Royer's success should belp to improve Powerscreen's lacklustre City image. The shares look undervalued on a prospective rating of 8.6, based on a conservative pre-tax profits estimate of £14m and a share price up 6p to 126p.

29

**Relaunched computer group expands** 

**By Alan Cane** 

ware.

Two days ago, Bullough, the industrial holding company, announced it had bought Bax-tar Fall Northfleet, Sharp's retail shelving subsidiary for WHITECHAPEL Workstations, two divisions, one a personal a British venture-capital computer dealership which it backed computer company will retain, the other specialis-which went into receivership ing in workstation software £7m in cash. Cardinal Shopfitting which went into receivership last year, has returned with a Systems, Sharp & Law Shopfit-ters and Wares Electrical have new identity, Mistral Computer Systems, and a new corporate also been sold, and the receiv-ers said discussions were being held with a number of

Mistral is today announcing the purchase for an undisclosed sum of a substantial part of Amazon Computer Systems, a woolly owned sub-sidiary of tha Legal and Gen-Gully's senior manager at Sharp, said: "We can't give any comfort to unsecured cred-itors at this stage, but obvi-

eral Group. The acquisition will give it immediate access to marketing to use microprocessor chips designed by the US company, Mips. Mips microprocessors are channels in France, West Ger-many, Switzerland, the Nethernow the choice of, among oth-ers, Digital Equipment and Tandem of the US and Siemens lands, Spain, Italy and Scandinavia and provide it with specialised workstation soft-

World-leading technology is, Amazon is one of a small however, no substitute for cash Amazon is one of a shall however, is outcompany col-companies in which Legal and lapsed when it failed to raise General has an interest. It has adequate working capital in

the wake of the 1967 stock markets crash. The intellectual property and

design rights to the Hitech-10 which Mistral is acquiring. Whitechapel was a pioneer in the market for high perfor-mance personal computers (workstations) used by scien-tists and engineers. Its were purchased from the receiver by Computer Hitech International (CHI), a Channel Islands based consortium of Buropean venture capitalists. CHI (UK) now trades in Britain as Mistral. It is essentially a sales and marketing organisation run by Mr Bob Haire, formerly Whitechapel's managing director. The design of Mistral's computers is now subcontracted to Algorithmics, essentially the rump of the old Whitechapel design team now based in south London.

based in south London. The new machines are designed to take advantage of successive generations of Mips microprocessors. Manufactur-ing is subcontracted to Compu-tertechnik Muller of West Gerand Nixdorf of West Germany.

The workstation business,

one of the fastest growing sectors of the computer industry, has changed dramatically since Whitecbapel designed the Hitecb-10. The competition includes International Busi-ness Machines, Digital Equip-ment, Sun Microsystems and Hewlett Packard. Higb pow-ered machines are becoming a commodity and the keys to success are marketing chan-

nels and specialised software. Mistral believes its purchase of the workstation interests of Amazon will give it both of those assets. It is seeking strategic relationships with software suppliers in the areas of graphics and animation, desktop supercomputing and finite element processing.

Mistral said yesterday that it intended to seek a listing at some stage although it was not ready to set a timetable.

By David Churchill, Leiaure Industries Correspondent

**European Leisure to fund** 

growth with £22m rights

buy their 2.45 per cent and 3.5 per cent irredeemable pref-erence stock at 100p per value. The bank confirmed that it had also looked into the pur-chase of cimilar classes of EUROPEAN Leisnre, the nightclub and leisure group which operates throughout the UK and continental Europe, yesterday announced a rights issue of £22.2m net in order to chase of similar classes of stock in other statutory water finance further expansion in the UK, Franca, and The statutory water compa-Soain nies, which supply water alongside the 10 larger water and sewage groups, have the option of converting to public limited company status and the dding divide nd

in the UK food market in the

last 10 years had yet to he

retailer, and would expand

Mr Michael Ward, European Leisure's chairman, said yes-terday that "we are operating in markets which historically have been shown to remain very buoyant in difficult economic circumstances." European Leisure plans to

use the funds generated by the rights issue for acquisitions

throughout Europe. Mr Ward said that some film had been allocated for UK expansion, f7m for France, and 25m for Spain although he maintained that no immediate deals were likely.

potential buyers about the rest

of the group. Mr Michael Denison, Cork

ously there is a lot of work still to be done." He added that he hoped the

majority of jobs at Sharp would be saved.

Under the terms of the rights issue, two new ordinary shares will be issued for every three existing shares at 64p per share.

The issue has been under-written by UBS Phillips and Drew.

pine exchanged property for sbares in Warringtons and WARRINGTONS, the property development group, is spend-ing £24.3m in cash and shares ended np with 41 per cent of

to acquire a series of properties in the north west of England, Warringtons. Tha new transaction Wales, Gibraltar and the US. involves the takeover of Alfred McAlpine Properties, whose asset is the leasehold interest The four separate transactions lift its gross assets to £75m and net assets to £41m, writes Paul in the sbopping centre at Wrexham. Warringtons is paying with an issue of 9.5m £1 convertible preference shares, which may be converted into ordinaries betwaan January

share Yesterday's market price for

Warringtons pays £24.3m for properties

Warringtons was 94p. In its other transactions, Warringtons;

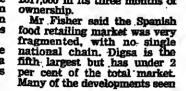
• is paying £140,000 cash and issuing 1.09m ordinary shares to huy Lalgate, a private north west development company controlled by Mr Pat Garret with £5.8m of assets, chief of which is a shopping centre in Warrington. • extending its US property

naries and paying £750,000 casb to buy for £7.65m a 155,000 sq ft office building in Houston.

• expanding in Gibraltar by paying £2.1m cash to Key City Properties for three properties and a share in a joint venture company. The overseas transactions

are designed to broaden the basis of the Warringtons portfolio and hence provide protection in the event of a downturn on the British market.

Checkeright. The biggest of the deals is for £9.5m and signals the com-plete transfer of the property assets of Alfred McAlpine to 1993 and June 1997 at 115p per interests by issuing 6.3m ordi-Warringtons. Last year McAl-This announcement appears as a matter of record only. realized and the states of the second and the second second second ent na la C



shadding dividend restrictions if they can win sbareholder approval.

7.



ROBERT PEEL Chief Executive, Mount Charlotte Investments Plc

66 We believe that the acquisition of Thistle will ensure Mount Charlotte a successful future in the fast growing hotel and leisure industry.99

**ROBERT FLEMING & CO. LIMITED** advised MOUNT **CHARLOTTE** INVESTMENTS PLC in its successful acquisition of THISTLE HOTELS from SCOTTISH & NEWCASTLE BREWERIES plc for £645 MILLION and underwrote its rights issue of £155 MILLION

Brokers to the issue were PEEL HUNT & COMPANY LIMITED and ROBERT FLEMING SECURITIES LIMITED

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25 Copthall Avenue, London EC2R 7DR. Tel: 01-638 5858

## **I & S Optimum Income Trust plc**

### 16,988,873

Zero dividend preference shares at 101.5 pence per share, totalling £17,243,706

The undersigned arranged the placement of this issue:

Chase Investment Bank Ltd.

October 1989





### COMMODITIES AND AGRICULTURE

## Copper up, tin down as confusion grips markets

By Kenneth Gooding, Mining Corresponden

TRADERS AND analysts were uncertain about the prospects for copper and tin prices after receiving confusing signals yesterday in London and New York.

Copper prices rose charply in early trading on the New York Commodity Exchange (Comex) but the London Metal Exchange appeared reluctant to follow its lead. Meanwhile, tin prices fell on

the LME throughout the day and cash metal ended at \$7,135 a tonne, down \$385 to the low-est level since the tin contract was re-started on the exchange in June and a price not seen on the European free market since early October last year.

Comex copper prices were driven up by Tuesday's news thet miners at Exxon's Disputada de las Condes eubsidiary in Chile, which produces about 125,000 tonnes of copper in con-centrate a year, were to strike from midnight last night over pay. A fall in Comex warehouse

copper stocks also aided New York'e bullish centiment. There was also considerable arbitrage buying because, as Mr Howard Levine, an analyst with Shearson Lehman Hutton's metals team, put it. "Comex has been running cheap" compared with the LME

In the past three weeks the New York-London arbitrage widened to about 7.5 to 8 cents a lb, London premium, against 0.5 to 1 cent in mid-October, he pointed out.

in London traders said the bulls and bears of copper were finely balanced. This was Mr David King (left) yesterday took over as chief executive of the London Metal Exchange. He predicted the volume of contracts traded on the exchange would increase, because we will be marketing ourselves more aggressively. This will generate results and increase activity in all metals, starting next year." He pre-dicted LME volume would reach about 10m contracts this year, up from 7.8m in 1988 and rise again in 1990. "When we sort out legislative proble in the US and open ware-houses there, we will generate much new business," he said.

£1,731, up £5.50 in spite of the per) concentratee from and incentive from Comex for it to might have to come to the LME for metal. But the LME move higher.

does not have a lot of copper to offer." An important factor holding down the price in London was a market rumour that the Dis-putada dispute had been set-Meanwhile, after tin'e fur-ther sharp fall yesterday, ana-lysts suggested it probably had no further to drop. But "nobody really knows," said Mr MacMillan, "Consumers were expected to start huying

Hen. However, as yesterday was All Souls public holiday in Chile it seems very unlikely there were any fresh develop-

when the price reached \$7,500. Mr Robin Bhar, an analyst with W I Carr, the financial Obviously they are not that short of metal." services group, suggested the copper market recently had Mr Bhar suggested the fall had been overdone and that some big trading houses had manoeuvered the tin price been ruled by technical factors and was ignoring the funda-

lower regardless of the funda-mental tightness of supply. "The market is over-sold and could possibly return to previ-

ous peaks," he said. Mr Angue MacMillan, research manager at Billiton-Enthoven Metals, said there was likely to be a chortage of Tin consumers still seem to be by-passing the LMEbut Mr David King, who yesterday formally took over as chief execu-tive, pointed out thet the num-ber of lots traded on the was likely to be a shortage of copper towards the end of this year. "The Japanese must be finely balanced. This was year. "The Japanese must be enchange had more than don-reflected in the LME cash price seriously concerned about hled from only 400 a day in which closed yesterday at where they will get their (cop- June to 958 in October.

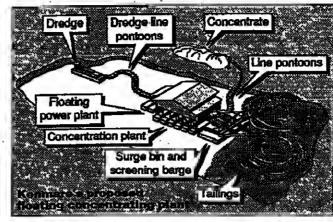
ENMARE RESOURCES, the USM-quoted, Dublinbased mining company, said yesterday it would go ahead with a \$100m mineral sands project in Mozambique.

First commercial production should begin in the spring of 1992, said Kenmare, and the project would generate annual revenue of \$44m of which about two thirds would be operating profit.

Nearly two thirds of the revenue will come from produc-tion of two grades of ilmenite. This contains titanium dioxide, the key ingredient in the production of pigments for paint, paper and plastics. Just under one third of the revenue will be generated by zircon, used mainly in refractories (high temperature furnaces) ceramic glazes and steel foundries.

percentage fail. Kenmare is muscling in on an industry ultimately con-trolled by relatively faw, major companies. These include the Production of all mineral sands has been running hard to keep np with demand in recent years. Prices have risen to record levels and this has RTZ Corporation of the UK, General Union Mining Corpo-ration of South Africa (Gencor) and Consolidated Gold Fields, stimulated an industry-wide expansion, particularly white expansion, particularly in Aus-tralia, already the biggest pro-ducer of mineral sands. Marketing studies for Ken-mare carried out by Bain and Company, London consultants, and Davis of Barth marking now owned by Hanson of the

TIK About ten years of mineable reserves have been proven at Kenmare'e Congolone mineral and Dema of Perth, predict continuing demand growth but weakening prices from mid-1990 as the expansion projects begin to make an impact. sands project near Angoche on the Northern Mozamhique coast, and there are indications Mr Michael Nossal, Ken-mare'e finance director, said that mine life eventually will be extended well beyond this



Kenneth Gooding on an Irish company's \$100m project in Mozambique

there was likely to be a fail in period. prices in real terms of between 5 per cent and 10 per cent across the range of mineral sands. But zircon's price was expected to suffar a greater Kenmare plans to huild a jetty to receive ships of up to 30,000 tonnes so that all prod-ucts will be shipped out to cus-tomers directly from the site and all supplies will come in

by sea. The site is also relatively easy to protect if there should be any trouble from Renamo guerillas or the bandits who roam some parts of the coun-try. Mr Charles Carvill, Ken-mare's chairman, said: "Since exploration began there have been no signs of any trouble -but you can't afford to take

Sifting through sand for mineral wealth

Kenmare has put \$760,000 a year in the budget to pay for a contingent of 87 Mozambiquan soldiers and two UK "security consultants" - formerly with the SAS. Kenmare will feed

con, 8,060 toames of premium and house the soldiers and pay for their uniforms while the rutile and 1,000 tonnes of monazite (the richest source of rare Mozambique Government will earth elements used in mag-nets, electronics and high techpay their wages and supply weapons and ammunition. nology ceramics).

Kenmare decided to move ahead with the project after a full, "bankable" feasibility study by Davy McKee of Stockton, testwork by Mineral Deposits (a BHP subsidiary) and an environmental impact assessment by Staffen Robertson and Kirsten.

The Irish company will have a 71.25 per cent equity interest in the project, the Geological Survey of Yugoslavia – which identified the reserves - 3.75 per cent and the Mozambique Government 25 per cent. The Mozambique Government will not contribute towards the capital cost but neither will it col-lect any dividends until the project's cash based internal rate of return reaches the US\$ Libor rate plus 3.5 per cent. Kenmare will pay corporation tax of 50 per cent.

To mine the minerals Ken-mare plans to use a 2,500 tonne an bour dredge plant and a floating concentrating plant which will separate heavy minerals by gravity concentration. Concentrate will be transported by truck to a dry mill where individual products will be separated.

Annual capacity will be about 234,600 tonnes of sul-phate grade ilmenite, 187,700 tonnes of standard ilmenite, 37,500 tonnes of premium zir-

Mr Noesal said the value of the project would be increased substantially if the ilmenite was apgraded to synthetic rutile. Facilities for this would cost about \$60m, however, and Kenmare would wait some time before considering this

He said Kenmare expected to be able to fund most of the project by non-recourse debt and already had been in contact with international aid organisations such as the world Bank's International Finance Corporation, the Con-

monwealth Development Cor-poration and the European Investment Bank. The rest of the money would be provided possibly by a rights issue or forward sales contracts or by another com-

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contracts or by another com-pany coming in as a partner. The project had attracted con-siderable interest and Kenmare already had signed confidenti-ality agreements with two groups. "We are not looking for a partner but we might con-sider taking one on if it brough something extra to the project — for example, enabling us to move straight to enabling us to move straight to the second phase where linen-ite would be upgraded," com-mented Mr Michael Carvill, managing director.

**Confusion over** Producers hang on to coffee hopes EC grain levy

GRAIN FARMERS in different European Community states will be charged varying rates of co-responsibility levy from today due to a confusing series of instructions from Brussels, officials and industry sources

aid, Reuter reports. Mr Simon Gourlay, president of the National Farmers' Union, said the EC Commis-sion had bungled the adminis-tration of the cereals stabiliser costem under which produces system under which producers are charged varying rates of levy depending on the size of the Community crop. Last month the 1989 crop

was set at 160.5m tonnes, just over the target of 160m. Because the overshoot was so email, the Commission pro-posed scrapping an extra levy. However, at a meeting of EC Ministers last week the UK refused to accept waiving of the extra levy, saying it should be collected at the prescribed rate of 38 pence a tonne. Under the stabiliser system

tion" in export quotas to re-es-tablish prices at a profitable farmers are charged a basic and an additional levy with the level for producing countries. According to Dr Oscar Arlas, latter reimhursed in full or in depending on the

**Record month for Brent futures** 

#### **By Steven Butler**

THE INTERNATIONAL Petrolenm Exchange last month achieved record trading levels, with total volume at 453,904 lots, compared with the previous record of 324,921 lots in July.

#### **CRUDE OIL SPOT MARKET QUOTATION**

Brent crude,

THE BRENT crude oil price quoted in the Financial Times will henceforth be based on the price for the second tradmonth in the Brent forward market, as supplied by Petroleum Argus.

Previously prices quoted have been based on the first trading month. Today this eans the December contract

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nius and shortage in the market with relatively little underlying trading volume. Trading in the second months tends to be more active, and this higher liquidity should result in a more accurate price determination that reflects underlying trends in the mar-

Currently Brent crude con-

The volume of trading on the the year. IPE has grown rapidly since mid-1988, when trading first The Exchange yesterday also published a breakdown of cus-tomers of the market which began in futures contracts for show a wide spectrum of par-ticipants. Traders account for Trading volume has more than doubled since the start of 43.1 per cent of the market's contract volume, compared to 19.2 per cent by refiners, 10.2 per cent by producers, 6.7 per cent by distributors, 1.9 per cent by end users, and 18.9 per cent by non-trade users. European traders dominate

the market, with 41.3 per cent of trades originating in the UK and 34.6 per cent from main-land Europe. The US accounts for 18.4 per cent of trade, with

the balance of 5.7 per cent from elsewhere in the world. Trading at the Botterdam

ATIN AMERICAN ATIN London. ducers remain hopeful on the prospect of reviving in

the price-supporting Interna-tional Coffee Agreement in spite of Brazil's insistence that it will not consider reducing its share of world export quota. Following last weekend'e

Pan-American summit conference in San Jose, the Costa Rican capital, it was reported that the presidents of Brazil, Colombia and several Central American coffee producing countries had agreed on basic proposals for the reintroduction of ICA export quotas.

But Brazilian officials were quick to reject suggestions that they would consider accepting the quota cut envisaged in the proposals.

Nevertheless, Mr Luis Diego Escalante, Costa Rica's foreign trade minister, this week is still optimistic on the part's prospects. "There is a political will amongst the Latin Ameri-

Tim Coone on Latin American efforts to revive export controls national Coffee Organisation in

The weekend summit, which brought together 16 beeds of state from the American conti-nent, was an opportunity for the leaders of the main coffee producing countries in Latin America to have "a frank exchange of opinions" said Mr

Recalante However, President Jose Sarney of Brazil was reported to be "very irritated" at the lack of consultation over the Colombia proposal to reduce Colombian and Brazilian quotas to allow greater access of the "other milds" to the US mar-ket. Colombian officials had said Colombia was prepared to accept a cut of 150,000 hags (60 kg each) in its export quota if Brazil allowed its to be reduced

by 500,000 bags. In order to smooth ruffled feathers, Mr Escalante said this week that Costa Rica was proposing that all the produc-ing countries should accept "a

in prices outweighed any benetional Coffee Week symposium is to be held in San Jose, at which detailed discussions fits to individual countries by being able to sell more of their output on the open market. The priority now, he said, was to re-establish the economic among the Latin American among the Latin American producers are due to take place. If agreement could be reached there, Mr Escalante said, there would be a high probability that the ICA could be renewed because "Latin America accounts for 70 per clauses of the ICA, which regu-

late quotas "without discuss-ing changes in quotas." He said that ideally a univer-sal quota chould be agreed as quota enound be agreed upon which included all produ-cing and consuming countries, thus eliminating the problem of a two-tier market (with pact cent of the world's output of All now hinges on a proposal under which, Mr Escalante says, "there would a change of members paying more for cof-fee than non-members) which was partly to blame for the col-lapse of the last ICA.

coffee

quotas without calling them a change in quotas." Under this the Latin American producers me Lam American producers would settle among themselves the share-out of quotas by allowing for a special access of the "other milds" to the US market, and in the short-term all producing countries would accept. "an equitable, reduc. The new climate of political change, especially in Eastern Europe favoured an eventual agreement on -a universal quota system under which the two-ter market would be elimi-nated by including all buyers and sellers, Mr Escalante said. In the absence of a new ment though he said "we agree should commit ourselves to a

	tracts for November delivery	Energy Exchange, which	can producers to reach a new	portion of sacrifice to share in	free market." At present he	the Costa Rican President, the	part depending on the size of
November price.	are quoted at more than \$1	opened on Tuesday in competi-	agreement," be declared. By	the banafite" of reactablishing	egid that uncertainty over the	the Costa Rican President, the losses facing Latin American	the EC grain cron.
First month prices have fre-	above the December contract	tion to the IPE, appears to be			Sall that the trainty over the	coffee producers in the coming	On Tuesday the Commission
quently been subject to short	price. Yesterday prices for			the quota agreement.	Intuite of the tot man	conce producers in the country	televed member states terring
term distortions reflecting		with contract volume yester-	Latin America will be able to	He said this week that the	nepressed prices to an absurd	harvest amount to some \$1.5bn	the extra low need not be tal
temporary perceptions of sur-		Jane at ore late		losses facing producing coun-		as a result of the collapse of	
comportary perceptions of sur-	cents to chose at #10.072.	day at 250 lots.	the next meeting of the Inter-	tries because of the sharp fall	In three weeks, an Interna-	the ICA.	lected at all.

ONDON MARKETS	COCOA - London FOX 2/tonne	LONDON MITAL IDICKANGE	(Prices supplied by Amalgamated Metal Trading)	US MARKETS	CRUDE OIL (Light) 42,000 US galls \$/barrol	Chicago
AD prices railied on the LME	Close Previous High/Low	Close Previous High/Lor		IN THE METALS, two-sided activity was	Latest Previous High/Low	
owine Tuesday's sell-off. Tradars	Dec 714 725 725 711 Mer 700 702 703 694 May 713 713 715 705	Alexalation, 98.7% purity (\$ per tonne)	Ring turnover 22,125 tonne	seen in the gold, silver and platinum,	Dec .20.07 19.94 20.14 19.00	SOYABEANS 6,000 by min; cents/601b bushe
d Tuesday's levels - three-month	Dec 714 725 725 711 Mey 700 702 703 694 Mey 713 713 715 705 Jul 725 726 730 720	Cash 1765-78 1760-5 1765 3 months 1720-5 1720-2 1740/171	1784-6 10 1715-8 1720-5 32,578 lots	reports Drexel Burnham Lambert, A	Dec 20.07 19.94 20.14 19.00 Jan 19.75 19.65 19.84 19.83 Feb 19.57 19.44 19.63 19.42	Close Previous High/Low
tal feli below £450 a tonne - were	Sec 741 743 741 733	Copper, Grade A (E per tonne)	Ring turnover 41.000 tonne	quiet US dollar and the upcoming	Feb 19.57 19.44 19.63 19.42 Mar 19.42 19.28 19.46 19.26	Nov 661/6 558/4 583/2 66
warranted by the fundamental iness of supplies. Bargain hunting	Dec 765 770 766 702 Mar 759 763 795 765	Gesh 1730-2 1724-7 1745/173		economic data slowed down the	Apr 19.29 19.15 19.33 19.13	Jan. 576/2 572/2 578/0 57 Mar 689/2 586/2 590/0 58
ha trade had triggered		3 months 1717-8 1712-3 1726/170		trading. Copper prices ross due to a	May 19.20 19.02 19.20 19.05 Jun 19.01 18.89 19.01 18.98	May 508/4 595/4 599/4 598
tcovering. Gold aased, but	Turnover: 2292 (3576) lots of 16 tonnes IGCO indicator prices (SDRs per tonne). Daily	Load (E per tonne)	Fing Lanover 12,450 tonne	strong showing in the London market. In the softs, sugar prices soared up 56	Jul 18.86 18.75 18.86 18.82	Jul 605/4 601/6 605/0 58 Aug 605/0 602/6 605/0 60
aged to hold above \$373 an ounce	price for Oct 31 815.77 (814.76) :10 day average	Caeh 459-71 457-8 470/489 3 months 455-9 447-8 435/448	489-70 458-7 459-80 12,519 lots	basis March on heavy volume. Fund	Sep 18.67 18.67 18.67 18.64	Sep 585/0 567/5 589/0 : 58
onstructive fundamental and	for Nov 1 828.93 (631.47) COFFEE - London POX S/bonne			and commission houses were both		Nov 505/6 503/6 567/0 '86
nical factors. Dealare said it was		Nichel (\$ per tonne)	Aing turnaver 960 tonne	active. News about Brazil reneging on		SOVABEAN OIL 60,000 lbs; centa/lb
olidating after Monday's rise to	Close Previous High/Low	Ceeh 8975-10000 10073-100 10050/56 3 months 9710-5 9760-75 9753/972	80 9950-80	sugar was noted. Origin selling	HEATING Off. 42,000 US galls, cents/US galts	Close Previous High/Low
nonth highs of just undar \$380. a prices were steady. The market	Nov         700         700         702         690           Jan         686         685         695         696           Mar         703         700         707         702           Mary         723         710         727         723           Jul         749         740         746         743           Sap         767         764         765         785           Nov         785         750         785         755			weakened the coffee. Cocoa was lower	Latest Previous High/Low	Dec 19.16 19.15 - 19.24 1
ars to be asttling down to trada in	Jan 665 635 695 656 Mar 703 700 707 702 Mary 727 710 727 723	Tin (5 per tonne)	Fing turnover 765 tonne	with mostly switch trading featured.	Dec.         8040         6911         8070         8940           Feb         8875         5807         5905         5840           Mar         5830         5572         6850         5865           Apr         5400         5300         6410         5860           Mary         5235         5195         5240         6200	Jan 19.36 19.35 19.42 1
t range after this week's run-up	May 727 710 727 723 Jul 749 740 746 743	Cash 7120-50 7510-30 7180/717 3 months 7170-80 7550-5 7350/718		Cotton futures added to Tuesday's	Feb 5875 5807 5805 .5840 Mar 5630 5572 6850 8685	Mer 19.77 19.75 19.82 *
vine news of rising hopes for a	Sep 757 754 765 755 Nov 755 790 765	Zinc, Special High Grade (5 per torms)	Ring turnover \$,400 tonne	gains from speculative buying. The grains had a short covering raily in the	Apr 6400 5360 6410 6580 - May 5235 5195 5240 6200	May 20.08 20.11 20.17 11 Jul 20.42 20.42 20.45 2
international coffee agreement,				scybeans while possible india tender	May 5235 5195 5240 5200 Jul 5050 5027 5050 5050	Aug 20.42 20.46 20.55 2
lalar seemed to have been	Turnover: 2198 (9674) lats of 5 tonnos ICO indicator prices (US cents per pound) for	Cash 1530-5 1537-40 1542/154 3 months 1507-8 1017-8 1520/150	12 1514-5 1506-06 15,159 lots	business firmed wheat. Oil, meal and	Jul 8050 8027 \$050 8050	Sep 20.47 20.52 20.65 2
ed by statements from Brazil.	Oct 31: Comp. daily 61.93 (62.62), 15 day aver-	Zina (\$ per tonne)	Fing turnover 1,725 tonne	com were all uneventful. The energy		
esia yesterday reiterated its	age 60.82 (60.63)			complex was higher as API numbers	COCOA 10 tonnes:S/tonnes	SOYABEAN MEAL 100 tons: S/ton
nd for an increased share of any global quota.	SUGAR - London POX (5 per tonne)	Cash 1490-500 1495-505 1520 3 monthe 1486-70 1470-80 1475/147	1520-5 10 1480-90 1485-78 \$,077 lots	provided support. Crude off futures		Close Previous High/Low
· · · · · · · · · · · · · · · · · · ·	Rew Close Previous High/Low	Life Closing 2/8 rate:		railied above the 20 dollar level. The	Close Previous High/Low	Dec 182.6 182.6 182.9 1
MARKETS	Dec 326.00 \$15.00 \$20.00	SPOT: 1.5810 3 months: 1.5561	0 monther: 1.5305 9 monther: 1.5116	livestocks had another limit up move in	Dec 974 077 978 903 Mar 889 996 903 903 903 May 906 1003 1003 903 Jul 1013 1010 1013 1010	Jan 1813 1919
oli (per berrei FOB) + or -	Mar 320.40 310.20 322.00 309.00 May 515.00 305.40 316.00 304.80	POTATOES - BPE S/DITIE	LORDON BUILLIOR BLANKET	the pork bellies. February belles settled at 5780.	Mar 969 995 993 962 May 998 1006 1003 993	May 179.2 179.8 180.7 May 179.2 179.0 179.5 Jul 178.1 178.2 178.7
\$18.20-8.30w + 9.20	Aug 309.00 299.00 310.00 296.40	Close Previous High/Low			Jus 1018 1010 1013 1010	Jui 178.1 178.2 178.7
Siend \$19.05-9.10w + 0.40 1 pm est) \$30.10-0.13w + 0.32	Oct 296.00 296.00 296.20 Dec 297.00 286.00 286.00		Gold (Rno cz) \$ price E equivalent	New York	Dec 1080 1086 1080 1080 Mar 1087 1082 1087 1085	Aug 177.5 177.2 178.0 1
	White Close Previous High/Low	Feb 157.0 160.0 153.0	Close 373 12-374 236 14-236 14		The second second second second second	Sep 177.5 178.0 177.5 1 Oct 176.5 177.5 176.0 1
ducts rompt delivery per tonne CIF) + or -	Dec 391.00 391.50 369.50 381.50	Apr 197.0 192.5 197.4 192.0	Opening 373-12-374 237-237 12 Morning fix 873.60 237,131	CLD 100 troy oz.; Story oz.		MAIZE 5,000 bu min; cents/300 bushel
m Gesolina \$190-192	Mar 392.50 364.00 393.00 392.50		Alternoon fix 373.05 235.660	Close Previous High/Low	_ COFFEE "C" 37,500lbs; cents/lbs	
1 \$184-185 +3	May 396.00 388.00 392.50 369.50 Aug 404.60 396.00 401.00 397.00	Turnover 393 (434) loss of 40 tonnes.	Day's high 373-37412	Nov 374.2 374.7 0 0		
Fuel Oil \$100-102 +2 ta \$163-164 +6.5	Oct 380.50 373.00 373.00 372.00	SOYABBAR MEAL - DES STOTIO	Cay's low \$72-37212	Dec 376.9 377.6 378.1 375.7 - Jan 379.0 379.7 378.0 378.0	Close Previous High/Low	Dec 237/4 237/4 236/2 2 Mar 242/0 241/2 243/0 2
na \$163-164 + 6.5 num Argus Estimates	Dec 371.00 363.00 362.10 Mar 371.00 362.16	Close Previous High/Low	Coine \$ price £ equivalent	Dec 376.9 377.5 378.1 375.7 Jan 379.0 379.7 378.0 378.0 Feb 381.2 381.9 362.5 380.0	Dec 72.54 74.85 74.80 72.50 Mar 74.58 76.74 76.50 74.55	May 245/5 245/6 247/4 2
+ 07 -	Turnover: Raw 4806 (1985) lots of 50 tonnes.		Mapielosi 363-388 242-245	Apr 365.4 366.1 366.5 384.4	May 76.75 76.80 78.50 78.75	Jul 250/2 249/2 250/6 2
	White 1077 (808)	Dec 141.00 141.00 Feb 143.50 144.00 143.50	Britannia 383-385 242-245	Jun 329.0 390.4 390.7 338.0 Aug 393.5 394.5 395.3 395.3	Jul 79.00 80.80 80.50 79.00	Sep 242/2 240/2 242/4 24 Dec 236/4 237/2 238/4 22 Mar 245/2 244/0 0 0
per tray az) 4 \$373.75 -1.50 (per tray az) 4 517c -4	CRIDE OIL - IPE S/herrel	Apr 143.00 142.60 143.00	US Engle 383-386 242-245 Angel 383-388 242-245	Oct 387.9 396.8 0 0	Sep 80.90 82,78 82,75 \$1,00 Dec 84.28 85.63 66.00 84,05	Mar 245/2 244/0 0 0
m (por troy oz) \$496.35 -2.00		Turnover 35 (15)lots of 20 tonnos.	Krugemand 373-878 235-238	Dec 376.9 377.0 378.1 375.7	Mar 86.55 86.25 87.75 87.50	WHEAT 5,000 bu min; cents/00b-bushel
um (per troy oz) \$135.15 -8.25		FREDENT FUTURES - MPX Storndes point	New Sov. 89-80 65 4-66 2 Old Sov. 86-80 55 4-66 5	PLATINUM 50 tray az; \$/tray az,		
lum (free merket) \$1765 -15	Dec 19.09 18.63 18.10 18.78 Jan 18.55 18.18 18.58 18.34	Close Previous High/Low	Old Sov. 35-59 55-5-66-2 Noble Plat 492.20-500.00 311.70-516.65	Close Previous High/Low		
r (US Producer) 1175-213(c -132 US Producer) 40.5c	Feb 18.13 17.96 18.22 18.13	Nov 1679 1588 1684 1670		Nov 488.1 490.0 0 0	SUGAR WORLD "11" 112,000 lbs; cents/bs	Dec 396/0 394/4 865/6 3 Mer 400/6 396/2 401/6 3
(free market) 460c -5	Mar 17.75 17.60 IPE Index 18.69 18.64	Dec 1866 . 1975 1970	Sever Bx p/fine oz US cto equiv	Jan 482.6 464.5 495.0 492.0	Close Previous High/Low	May 381/2 379/6 362/0 30
uala Lumpur market) 19.15r -0.85	Turnover: 11144 (7672)	Jan 1676 1665 1683 1671	Spot 327.05 518.78	Apr 497.0 496.7 498.5 498.0		Jul 351/4 349/4 seain a
ow York) 328.5c -17.0	No. of All Annual Advancements	Apr 1685 1685 1885 1673 Jul 1410 1418	\$ months 339.85 525.20	Jul 501.0 503.2 504.0 502.4 Oct 505.4 507.7 508.8 506.5	Jun 14.20 13.93 0 0 Mar 14.53 13.97 14.54 13.96	Sep 356/4 354/2 357/6 3 Dec 368/0 365/4 368/0
US Prime Western) 785gc -15g	GAS CIL - IPE · S/tonne	Oct 1533 1525	6 months 351.50 536.35 12 months 374.75 559.85		May 14.25 13.72 14.25 13.71	
live weight): 113.32p + 0.80°	Close Previous High/Low		16 THURSDAY - 3/ 9. / 0 505.60	SELVER 5,000 troy oz; cents/troy oz.	Jul 14.00 13.50 14.00 18.50	LIVE CATTLE 40,000 lbs; cents/lbs
dead.wolght)† 188.71p + 27.8* vs.waght)† 96.12p -2.99*	Nov 101.25 176.75 161.25 178.75	Tumover 282 (369)	TRADED OPTIONS	Close Previous High/Low	Oct 13.51 13.08 13.52 13.08 Mar 19.03 12.60 0 0	Close Previous High/Low
	Dec 176.00 173.25 176.25 175.00 Jan 175.00 169.75 175.00 171.75		Alaminikate (99.7%) Calits Puta	Nov 515.0 518.0 513.5 513.5	mm HW9 1200 0 0	Dec 74.30 74.45 74.40 7
daily sugar (raw) \$344.6v -3.8 daily sugar (white) \$368.5v -1.5	Feb 171.00 165.75 171.50 167.25	GRAINS - BPE E/tonne		Dec 518.8 521.0 522.0 517.1	· ·	Feb 76.92 73.97 73.95 7
d Lyla export price £333.5 -2.5	Mar 164.50 161.25 164.50 163.50	Wheel Close Previous High/Low	Strike price 3 tonne Nov Jan Nov Jan	Jen 527.7 534.7 0 0 Mer 533.2 533.2 533.0 526.5		Apr 74.07. 74.20 74.17 7
(English fead) £112.0g +0.5	Apr 190.00 197.00 161.00 168.00 Jun 198.75 156.76	Nov 106.00 106.05 106.00	1650 117 102 25 54	May 537.8 540.8 540.8 546.8 536.5	COTTON 50,000; cents/lbe	Aug 68.42 68.60 69.65 6
US No. 5 yellow) £126.25g	Turnover 7266 (6223) lots of 100 tonnes	Jaan 110.50 110.65 110.50 110.35 Mar 114.20 114.50 114.25 114.00 Mary 117.40 117.60 117.40	1750 88 56 65 105 1850 25 26 130 173	Jul 545.5 548.5 547.5 545.0	Close Previous High/Low	Oct 68.75 69.00 68.82 6
US Dark Northern) £123.25		Mary 117,40 117,80 117,50 117,40		54p 553.3 556.3 665.0 653.0	Dec 75.82 75.23 75.97 75.35	LIVE HOGS 30,000 Ib; cente/lbs
[spot]♥ 56 25p		Jun 119,10 119,55 119,25 San 103,25 103,40 103,25		Dec 554.5 557.5 596.5 565.0	Mar 77.42 76.76 77.56 76.85	A
(Dec)♥ 59.00p (Jan)♥ 60.00p		Nov 108.35 106.15	2550 187 168 55 116 2850 129 122 94 166	365 365.3 5/1.3 0 0	May 78.17 77.36 78.20 77.46	Dec 47.66 47.57 47.70
(Jan) 9 60.00p (KL RSS No 1 Dec) 228.5m			2850 129 122 94 196 2750 84 86 147 227	COPPER 25,000 lbs; centa/lbs	May 78,17 77,36 78,29 77,46 Jul 77,00 77,10 78,00 77,20 Oct 70,80 70,36 70,85 70,40	Feb 47.20 At 91 (7.12
	WOOL	Berley Close Previous High/Low		Close Pravious High/Low	Dec 67.85 57.68 66.00 57.30	Apr 44.10 43.40 44.22 4
t cil (Philippines)§ \$475.0v -2.5 H [Malaysian)§ \$310g -5	News of a further denial by the AWC of lowering the floor prices surprises most of	Nov 108.35 106.45 106.35	Collee Jan Mar Jan Mar	Nov 115.25 113.75 0 0	Mar 05.45 01.33 08.45 68.05	
Philippines) \$ \$310g	the wool trade which never seriously	Jan 109.00 109.30 Mar 112.00 112.30 112.20 112.00	650 59 57 23 34	Dec 116.50 114.00 117.30 115.00		Jun 48.20 47.75 48.25 4 Jul 48.37 47.92 48.45 4
ans (US) £168.5q -1.0	doubted this. An article in an Australian		700 32 61 46 58			Oct 43 20 46.80 47.20 4
A index 83.55c + 1.05	weekly paper apparently made the new	Turnovor: Wheat 157 (120), Barley 37 (63). Turnover lots of 100 tennos.	750 16 40 80 87	[	ORANGE JUICE 15,000 lbs; cents/lbs	Den As an issue
rs (64s Supor) 508p	assurance necessary. With AWC floor price		Coose Dec Mar Dec Mar	REFCES		
	purchases still over 50pc of daily auction offerings and ne sign of Chinese re-entry	PIQS - BFE (Cash Settlement) p/kg		REUTERS (Bese: September 16 1631 = 100)		PORK BELLIES 40,000 lbs; cente/lb
ine unless otherwise stated, p-penco/kg.	into the market, nor of normal resumption of	Close Previous High/Low	700 36 47 22 47	Oct 31 Oct 30 minth age yr ago	Nov 130.60 130.50 131.50 130.60 Jan 125.95 125.06 128.00 125.35	Close Previous High/Low
vib. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec.	Japanese demand, wool looks very electiv	Nov 129.0 130.5 129.5 128.5	750 17 28 53 75	1851.3 1845.8 1876.0 1890.0	Jan 125.95 125.06 129.00 125.35 Mar 125.05 125.45 127.00 128.00	Feb 57.60 55.60 57.80 55
Mar. v-Nov/Dec. w-Doc. q-Nov. z-Jan/	a buyers' market with prices staying at floor	Feb 117.0 117.5 116.5	Test On the State of		May 126.50 126.00 127.00 128.25	Mar 57 57 68 97
	level. Trading, particularly in the UK with its		Brent Crude Dec Jan Dec Jan	DOW JONES (Base: Dec. 31 1974 = 100)	Jul 126.80 126.10 127.25 126.80	May 57.47 55.47 57.47 64
Aget Commission average latelock prices.	interest rate scuence is head to mark and	Apr 116.5 117.5 118.5				JUI 17 17 66 17
loat Commission average latelock prices. nga from a week ago. VLondon physical st. SCIF Rotterdem. 4 Buillion market	interest rate squeeze, is hand-to-mouth and aimed at de-stocking. Consumer demand romains sound enough.	Apr 116.5 117.5 116.5 Jun 116.0 117.2 116.0 Aug 111.0 112.0	1800 71 4 31 7850 45 43 5 53 1800 13 26 22	Spot 129.54 130.09 130.76 135.96 Futures 129.63 129.35 131.45 139.22	Sep 126.90 125.50 0 0 Nov 126.20 125.70 0 0	Jul 57.17 56.17 57.17 54. Aug 55.20 53.20 56.20 83.

Tist Dealings: Oct 16

108

106

104

102

100 98

96

Jun

mately £28m.

specialist.

Sears sceptics

ness to its management and 20

other disposals of catering and general leisure husinesses, brings the total of disposals by

Mecca this year to approxi-

But a story in the market

suggested a considerably big-ger deal involving Mecca is imminent. The leisure group is thought to be on the brink of

selling its Maxims and Cler-

mont casinos for a sum thought to be in excess of £50m

and possibly 160m. "If this is the case, it has to

be seen as very positive for Mecca - it is a super price for the casinos and will reduce

gearing considerably," said one

A series of hullish stories

swirled around Sears and, despite a generally sceptical reaction from analysts and

marketmakers, the shares rose 5% to 113p. The speculation was fuelled

by exceptionally strong turn-over of 15m shares, and was sparked by an early large buy order from the US.

order from the US. Tha suggestions were of a possible bid from an Austra-lian source - dealers pointed out that Mr Robert Hobnes a Court, the Australian financier

has been linked with Sears on

previous occasions. The other tale was that the Al-Fayed

brothers had passed on their 10 per cent stake in the company. Both ideas were given short

shrift by market professionals. Tension remained high around

Jaguar shares but trading was

ve ya

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### LONDON STOCK EXCHANGE

## Market reservations despite recovery

A CONFIDENT performance by the new UK Chancellor of the Exchequer in the parila-mentary debate on the econ-omy, together with the contin-ued calumess of sterling on the foreign exchange markets; encouraged a further recovery in UK equities yesterday. At the close, the gain of 17.5 left the FTSE Index 14 per cent higher than it was on the eve of the dramatic resignation of Mr Nigel Lawson as Chancellor of the Exchequer.

But traders expressed serious reservations about the underlying quality of the mar-ket, as marketmakers again caught out by the recovery in widened price spreads and share prices. The hig invest-reduced bargain sizes. "It is ment institutions, having gen-

### Carlton in the limelight

Carlton Communications posted one of the sharpest rises in the FT-SE 100 as suggestions that the company might be about to dispose of the Cos-worth high performance engines operation, seeped into the market. The plan was later confirmed to the FT confirmed to the FT.

The rise of 32 to 778p began with a bear squeeze in 'New York, where buy orders pro-duced a similar squeeze in Lon-don, and continued with the help, said dealers, of a presen-tation to investors at Warburg

Analysts elsewhere argued Analysts elsewhere argued that the company had been oversold last week in the wake of steep falls across the whole market. They said that "scrappy US selling" had been misinterpreted as an ebbing of confidence in Conitors' miles is confidence in Carlton, which is traded at a strong premium to the market.

### Focus on Mecca

Mecca Leisure, among the UK's leading leisure compa-nies, moved np strongly throughout a busy session to touch 158%p, helore coming off the top to close a net 6 firmer at 157 through came and at at 157p; turnover came out at

Dealers said the rise in the shares followed news of the sale of 11 provincial discotheques and two public houses to Midsummer Leisure for 54.25m. These sales, together with recent disposals of the Olivers (UK) coffee shop busi-

### FT-A AU-Share Index 1250



Option Decis Oct 26 Nov 23 Nov 19 Last Dealings Oct 27 Nov 10 Nov 24 olant Deg: Nov 6 Nov 20 Dec 4 "New time deallage any take place from \$.00 am bro biziness days earlier very difficult to trade. There's not much of a markst out there," said a senior trader at one leading UK house. Marketmakers have heen running very tight trading books and some have been

Oct 30

**Health and Household** 

0. .

FT~A Index relative to the FT~A All~Share index

1989

erally avoided selling shares during last Friday's shakeout, now find themselves unable to Account Dealing Dates Nov 13 buy stock in reasonable size. The Seaq screens showed 15p spreads in quotations for Glaxo, with most marketmakers quoting in only 25,000 share lots; ICI was on 10p to 20p spreads and quoted in similar

These signs of avoiding action by marketmakers were blamed for discouraging fund managers from participating in this week's upturn in equities. One retail broker was told by an institutional client yesterday: "I simply can't hring myself to deal on these wide price spreads."

The FT-SE Index closed 17.5 up at 2,160.1 for its third successive daily gain. The day's Seaq volume total was 333.1m shares, against 394.5m in the previous session

In addition to the absence of selling pressures on sterling, equities were helped by significant corporate developments this week. The proposed de-merger at Courtaulds, which would be one of the largest by a UK company, implies a new and substantial entrant to the market's corporate lists, while the UK Government's decision to ahandon the "golden share" at Jaguar has reignited the takeover front, sspecially where the privatisation issues

a company called Domeaction, revealed that it is also holding

discussions with financial ser-

vices group York Trust. York said it has bought a 27.8 per cent stake in ICH from Throg-

morton Trust, at 60p a share, thereby increasing their stake

to 29.98 per cent. In the lifes Sun Life were

in the mes and the water outstanding, advancing 23 to 1168p, after 1170p on talk that French group UAP had been back in the market to top up its stake which was last

The spate of buy notes on Cable and Wireless prompted sufficient demand to drive the

shares up 10 to 490p on turnov-erof 2.4m. GEC, where turn-

over of 5.3m was boosted by a

single trade of 3m during the morning, advanced 5 to 224p. Specialists said the shares

were being pushed up ahead of the interim figures expected on

December 5 and which are expected to come in around the 2345m mark compared with last time's £313m. The dividend

is expected to be increased by

some 20 per cent. One top ana-lyst said the company was in a

per cent.

aled as in the region of 22.4

sounded more surprised than convinced by the latest performance by the equity sector. A question mark still hangs over the ontlook for sterling and there are still fears that domestic interest rates could be forced higher if the UK cur-rency hits trouble.

are involved.

For the near term, however the London market can enjoy a holiday from economic data on both sides of the Atlantic. But although UK equities are now 11 per cent off their 1989 peak, measured by the Footsie at 85 the beginning of September, few analysts believe that the worst is over yet.

An 82 per cent profits slump

			INAR	LIAL		S ST	UCK	IL DI	763		
covery		Nov 1	Oct S1	Oct 30	0ct 27	Oct 26	Year Ago	1 High	969 Lovr	Since Co High	Low
	Government Secs	84.43	84.61	84.35	84.37	85.31	89.19	89.29 (8/2)	83.75 (14/6)	127.A (9/1/35)	49.1S (3/1/75)
are involved. Market strategists yesterday	Fixed interest	93.54	93.81	93.66	83.67	94.06	<b>97.86</b>	99.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
sounded more surprised than convinced hy the latest perfor-	Ordinary Share	1738.1	1721.4	1701.7	1678.5	1720.5	1495.5	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/5/40)
mance by the equity sector. A question mark still hangs over	Gold Mines	221.7	219.5	223.6	209.5	198.5	169.9	223.8 (30/10)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
the ontlook for sterling and there are still fears that domes-	FT-SE 100 Share	2160.1	2142.8	2112.2	2082.1	2129.5	1843.2	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
forced higher if the UK cur-	Ord. Div. Yield Earning Yid %(full) P/E Rado(Net)(*)	4.76 11.43 10.57	4.80 11.54 10.47	4.85 11.68 10.35	4.92 11.85 10.20	4.81 11.59 10.43	4,67 11.76 10.30	Ordina	ry 1/7/35, G	cs 16/10/26, F pld minus 12/ L ☆ NH 10.48	Pixed Int. 1926 9/55, Basis 10
For the near term, however, for the near term, however, the London market can enjoy a holiday from economic data on both sides of the Atlantic. But although UK equities are now 11 per cent off their 1989 peak.	SEAQ Bargains(Spm) Equity Turnovar(Sm)† Equity Bargains† Shares Traded (mi)†	22,126	20,575 579.68 19,085 446.2	19,625 563.70 19,650 417,1	26,896 1088.22 27,858 529,7	22,058 738.31 21,107 379.7	22,599 929.50 22,968 373.7	India	Edged Ba		1.2 79.7
	Ordinary Shere Index.	Hourty d 11 a.m. 1731.5		Dey's Hig 1 p.m. 1733.6		Dey's	Low 172	0.8 5-1 m. 5usk	Activity 19 ness & Over	ge 95 74. †Excludir nsces turnovs of daily Equit	3.1 101.7 ng intre-mari x. Calculation ly Bargains a
as measured by the Footsie at the beginning of September, few analysts believe that the worst is over yet.	PT-SE, Hourty change			Dey's Hig 1 p.m. 2157.4		Day's	Low 214	T.7 Equi 1.7 Equi m. 28 s	ty Value an ty Bargaint inved on Ju veliable on	d of the five- and Equity ' ly 31. Closing request. nd intest She	day averages Value, was d j values for Ji

#### TRADING VOLUME IN MAJOR STOCKS

at Davsnport Knitwear The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

knocked the shares down 20 to	The following	is base	d on tra	ding	volume for most	Aipha	securi	illes de	alt through the S	EAQ	ystem	resterd	ay until 5 pm,			
415p.		Victor	Cimica I	in's		in the second	Circles	Day's		-	Cimina	Der/s		Volume	Ciedan	Dar's
	Sact	0015	Price of		Sect	100	Clesing Price	Clarge	Sect	000	Cestos, Price	Carpe	Start	0001	Cledan Price	change
A cantiousiy optimistic	ASDA Group	1,28	141	-1	Courtanies		30	-2	LASING	78	58	+9	Santchi & Sentchi	140	306 254	+1
interim statement from Reed	Alber Halistal	87	M		Caloty	20	360		Learte	199	25		Scott & Newcastle	1,200	254	43
International, and results	Alles Lynn,	3,400		5	For Disp Case	꿃		-13	HR Coton	54		11	South & Mentalize	534		-2
towards tha better end of	Arget Group	1,608	21	+1	East, Calles Carps	307	606	÷.	Laces	29		-5	Selanta	15,000	279	-
expectations, helped the shares	As Stt. Foots	117		-	Fisms	769	. 27		Marts & Sponter	1.00	107	1	Stell Transport	2,408	424	3
outperform the market with a	BAT (usk	1.600	73	7	General Elect	5304	234	12	Macontel Commo.	100	6	+6	Steeph Ests	111	298	
rise of 15 to 397n.	8ET	851	270	+9	E land	1300	1413	+23	Necra Leisere		31		Smith & Richter	619	136	+12
News that HTV had delayed	BUC			-11 +10	Ciele im.	쀖	5	12	AnWest Bask	2 00		#	Solthibler Beeckarn	1,209	550	12
its 1989 report end accounts	BAA BAA BAT ing	130	昭和四年	**	Granada	, ĬŠ	294	5	Next	2,90		-	Santani Charlevel	416	493	47
and annual meeting knocked		1,460	44	5	Ernel Mel.	2,00	315	÷112	Pearl	ž	5	-5	Signationst	1,50	116	-1
the shares below 100p. They			961	7	Granata		219	ひゃ ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	P60	- 68	57	÷.	T&J	493	2219122	45
clawed their way back to 107p	Bes	145	216	*		1,100	354	+5	P&O	110		+2	116 cm	316	422	45
by the close, a net decline of 6.	Brit. & Comm.	2,500	116	5	Gelanes	1100	27/	42	Polla Peck Intl	2,60	359	-8	158 1anaz	7,800	244	14
by the close, a tier decame of 6.	Brit. Arrenance	454		4	Ration	3,700	2081 <sub>2</sub> 144	+2			42	-	Tate & Life	2	261	- 4
British Gas edged up 1% to	British Almons	40 3,40 1,40 1,40 1,40 1,40 1,40 1,40 1,40 1		43 41 -	Karrisses & Cont.	- 18	144	+2	mic	, 26		+12	Taylor Woodress	149	272	+10
189p with the stock still	British Land	111	340	-2-1	Kantor Sidikley Hilladom Milys Wil	1,000	277	#	877	130	22	+2	THORN ENN	636	741	+14
restrained hy recent worries		3,600	297	+		122	219	777	Rant Ore.	11	836	+3	Tralaigar Mone	1,900	138	17
over political risks and compe-	British Steel	3,500	254	÷1,	infeste	244	748	-13	Rettrad	904		415	Trusthoese Forte	451	12222	"
tition fears. BP managed a	Part of the second s	3%	67	+6	ing Chen	5,750 704 3,500 1,400 494		+10	Recting	120	347	+15	Saler	1.30	64	
minor improvement at 297p	Cable & Window	2,000	196	13 10	Kingfitter	2 604	286	+2	Belle Sayre	1,09	<b>PESER</b>	+5	Veinal Stants	77	351	-9
and Shell eased a shade to	Callery Schergers	1,700	350	***	Land Securities	1100	506	-8		ix	67	16	Weiktone	. 1108	666	+18 +5
424p.	Caritan Comman.	582	30 776 532	+32	Laparie	474	45	+4	Royal Bit of StationsL.	. 5	16	-	Waterest "A"	AD4	350	45
Enterprise Oil and LASMO	Convertial Color	1100		0	Legal & General	737	307	ti.	STC	1,90		3	Williams Hidgs	15	225	3
were the best performers, both		-	-	-						-						_
stocks adding 9 at 606p and		-	_			-		_		-	_					
Film monoting by the doub and	me the CD		In Inc. 4	m T	manh m	oto1	meio	-	mannated from	the		ntics	at writh	Cov	orhn	ent

metal prices, prompted further up the SHV stake in Burmah good anpport for mining stocks Analysts and marketmakers

were sceptical of renewed sug-gestions that Sir Ron Brierley, the New Zealand entrepreneur, had passed on his staka of about 15 per cent in Vickers. The share nevertheless rose to 228 before subsiding to 224p, still 6% better on the day. A recommendation from

**County NatWest WoodMac** helped GKN put on 5 at 384p on moderate turnover of 1.1m

conglomerate ADT had edged its stake in BAA up to 5.56 per cent, helped the latter's shares add 4 at 338p. Parallels have been drawn in the market between Jaguar and BAA, both being companies that were privatised with Government "golden shares" intended to prevent takeovers. ADT closed

a penny better at 188p. Sea Containers' extensive plans to sell assets as a defence plans to sen assets as a detence against the joint bid from Tiphook and Swedish company Stena left Tiphook 16 better at 425p. Part of the plan is to sell of Sea Containers' Isle of Wight Ferry service, and as the markets attention was drawn to the implication of the move, Sonthampton Isle of Wight and South of England Royal Mail Steam Packet, which trades as Red Funnel, jumped 15 to 130p.

 Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

There was precious little to report in the clearing banks, where turnover in the "big-four" only topped the million mark in Barclays, which ended a fraction harder at 464p on 420 In TSB it was a different matter. A single trade of 5m, shares in mid-morning failed to 380

Nov

& Cruickshank said Unitank

was not central to Tate's main areas of business and a dis-posal would not be a surprise. However, Tate may not use such a sale to cut its high gear-

such a sale to cut it is high gear-ings levels. It is reported to be interested in bidding for the Californian & Hawnian Sugar Company's West Coast sugar refiner. He added, though, that

Tates's strong overseas expo-sure and the likely announce-ment of its disposal of its auto-

motive plastics business would add further strength. Tate fin-

ished 4 up at 261p.

1.1m

shares in mid-morning ranke to arouse any big action and was said by specialists to have been the tail end of a big selling order carried out by one of the US securities houses,"It seems, however, that the stock was morned up " writed the smedel. snapped up," noted the special-

SG Warburg shares maintained their good showing, closing a further 17 higher at 435p; dealers said there had-been keen support for the. stock which uncovered a general market shortage. The mer-chant bank is expected to announce interim figures on November 22 with estimates of pre-tax profits of some £85m pencilled in hy analysts compared with last time's £47m. Kleinwort Benson also company is a big beneficiary of satellite sales, via its rental packages, which are increasing

Warburg (SG) Share price (pence) 460 3 

340 300

Jun 1989 Nov

very strong position - "Plenty per cent of the shares.

of cash, even post-Plessey, meaning it is a beneficiary of high interest rates, and with then additional benefit of overseas earnings of 50 per cent. Unitech rose 6 to 367p on news that Dr Tito Tettamanti, the Swiss arbitrageur, and his associates now speak for 17.15 Thorn EMI made further

sharply in the run up to Christ

progress, adding 14 more at 741p with dealers saving the

## **BUSINESS LAW**

No right of silence for companies By A.H. Hermann

in the course of September ities in such investigations. and October the European Court almost authorities must not qu entirely rejected complaints by four major chemical companies that the Commission had abused its power in carrying out searches of their premises. Subsequently, in December 1988, the Commission fined 23 chemical companies nearly £40m for operating a PVC and low density polyethylene car-tel. The decision is still under If there was a cartel, it achieved little in the way of price fixing; by contrast, the affair provided the European Court with an opportunity for a constitutional innovation: it established a far-reaching supremacy of the EC authorities over national authorities and courts in whose territory they conduct investigations. The complaints addressed by the four companies to the Court concerned, in the first instance, the question of whether the Commission's inspectors may enter company premises without a court warrant and seize documents and make copies of them against the protest of the company concern This issue was raised in the Hoechst appeal against a daily enforcement fine imposed by the Commission. Hoechst had refused to submit to searches of its premises in the absence of a court warrant without which German authorities can-not conduct similar searches the law is much the same in the UK. The Commission insisted that it could proceed with such investigations without any assistance from the national anthorities, and imposed on nity law. Hoechst a daily enforcement fine. This caused considerable displeasure in the Federal Cartel Office in Berlin, which was already piqued by not having been informed by the Commis-sion of its intentions. The German courts first refused, but later granted a warrant, and Hoechst reluctantly submitted to the searches. Before the European Court, the Commission tried to obtain judicial blessing for its assertion that it can search premises without the assistance of rights. national authorities. The Court refused to grant this but, none the less, dismissed the appeal against the fine which covered a period before the German search warrant was granted. It also weakened substantially

n judgments\* handed down the role of the national author-in the course of September ities in such investigations. Commission from using in evi-embodied in national laws of

By holding that the national dence whatever documents it all member states and several

son oilfield last year, triggered a rise of 70p in the Enterprise share price in two weeks. LASMO "joined in the fun," according to a sector specialist, reflecting its big international drilling programme. Pressier

drilling programme. Premier hardened to 107p, still excited hy its forthcoming Thailand drilling programme. Barmah closed 6 higher at 679p with traders noting that Citicorp Scrimgeour Vickers, the brok-America ing firm thought to have built

519p respectively. The former were boosted again by the prospect of its imminent drilduring recent months, were on the bid for much of the session. Calor, also implicated in the SHV/Burmah stories recently ling programme off the coast of Vietnam. Dealers said that a discovery of something lika 200m barrels would be worth in and where SHV has a 44 per cent stake, edged up 3 to 424p. In the more speculative end of the oil sector, itself a tra-dionally volatile area, there was a hint of imminent devel-opments at Tuskar Resources, excess of 60p a share. It was pointed out that another major Enterprise drilling success, as with the discovery of the Nel-

involved in oil exploration in Colombia. Dealers mentioned market suggestions that one of the large UK oil groups - pos-sibly LASMO or Enterprise -

could well be interested in a farm - in deal with Tuskar which has already enjoyed some drilling success in South The Warburg and BZW buy

notes, plus continued optimism over the near future course of

shares. News that Bermnda-hased

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1050 **Equity Shares Traded** Turnover by volume (million) 800 600 400 200 Oct Nov Sep

**Rudolph Agnew** 

ioins Hanson

Mr Rudolph Agnew has

until recently, chairman of Consolidated Gold Fields.

Mr Keith Jones has been

don traders waited for a move from either Ford Motor of General Motors, the two giant US suitors for the UK car manufacturer. At 879p, the shares added another 10p with 5.8m shares turned over. Once again, most of the business came from arbitrageurs who have been building stakes in Jaguar and who can be relied on to vote in favour of any proposal to remova the UK

Government's golden share. Tate & Lyle railied on specu lation that it was set to sell off Unitank Storage, its hulk liquid storage business for 550m. Mr Mark Lynch of Laing

to 35p, after 337p. Inter City Holdings, the financial services gronp already involved in talks which could lead to a hid from

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Ha was director of Leslie & Godwin (UK). Mrs Hazel

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**NEW HIGHS AND LOWS FOR 1989** 1981-06, AMERICANE (2) Brunswick, GL American Bank, BIEWERS (1) Greene King BUILDINGS (1) Miller (Stan), STORES (1) Propeter, BLECTIBECALS (2) Newmerk (Loyle), Rive, ENGINEERWG (1) Chemitra PL, INOURTIBLLS (3) Amor Group, Grampias Hidgs, Hertons 700 PL, Lincet, Wills Group, LESSURE (2) Classic Th'brecks, Necca Laisure, MCTORS (1) BTS, PROPERTY (6) Custoine Prop, Design, INCCC, Salitosan, Slough Estatios (2) 500, Katergiado 73, po PL, TRUSTS (3) Jasteria Fd, Ideanvert Sonaler Co's, Sanith New Gourt, THIRD MARKET (2) Landing Leisure, Royal Sovensign.

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### APPOINTMENTS

### B Mr Anthony French, who speaks fluent English, French, German, Russian and **UK member of**

Serbo-Croat, has been appointed European director of THOMAS COOK. He was been appointed a non-executive director of HANSON. He was, a main board director at Boosev & Hawkes.

Products, general manager, appointed a director of Lazard Investors, investment management subsidiary of LAZARD BROTHERS & CO. British Steel Engineering, and chairman, Grant Lyon Eagre, has been elected chairman of the RAILWAY INDUSTRY ASSOCIATION.

Mr Pierre Vinken will join the board of THE ECONOMIST NEWSPAPER on November 29. He is chairman of the Dutch publishing group Elsevier, and a director of

🔳 Mr Ian McIntosh has joined the board of IMI as a non-executive director. He is ; deputy chief executive and head of corporate finance at Samuel Montagu & Co.

Pearson.

Private Fund Managers, and EDINBURGH FUND MANAGERS subsidiary, has appointed three directors to handle private client portfolios. They are: Mr Michael Tait and Mr Simon Tallboys, both from Scrimgeour Vickers, and Mr Tim Woods, from Flemings

E LOMBARD TRICITY FINANCE, part of the Nacional Westminster Bank Group, has promoted Mr Ivor Puckey from head to director of management information services.

■ Mr Peter Stilling has been appointed as one of the two UK members of the board of the INTERNATIONAL ACCOUNTING STANDARDS Mr A.V.L. Williams, general manager, British Steel Track **COMMITTEE** from January 1. He is senior professional partner of Touche Ross UK, and chairman of the

E Mr Brian Waters, who was managing director, UK division, Bain Clarkson, has joined FIRST FINANCIAL as non-executive chairman



BARCLAYS BANK has

appointed Mrs Rosemary Hor-

wood (above) as systems direc-

tor, central retail services divi-

sion. She was director of

technology, TSB banking ser-

VICAR

Ms Barbara Bufton has been appointed group marketing director of THE JENKINS GROUP. GRAND METROPOLITAN has appointed Mr Bill Shardlow as group personnel.

Group.

director. He also joins the ment committee of the mana board. Mr Shardlow was personnel director of GrandMet subsidiary IDV.

WOOLWORTHS has appointed Mr Graham Rider as financial controller.

•: X Stronge, deputy senior partner, Deloitte, Haskins & Selis, is the other UK member on the

> PHILIPS TELECOMMUN ICATION AND DATA SYSTEMS, Heathrow, has appointed Mr Lars Nyberg (abooe) as UK group managing director. A Swedish national, he was Philips general man-ager, Nordic region.

Mr David Bishop has been appopinted assistant general manager, treasury division, BANQUE INDOSUEZ, London. He was director in the treasury division at Kleinwort Benson.

Mr Richard Gibbs and Mr Antony Westbrook have been appointed directors of MEPC DEVELOPMENTS.

ALLIANCE & LEICESTER has appointed Mr Robert Mediam to the group board. He retired recently as executive director, corporate banking, Lloyds Bank Group.

the reasons and objectives of a Commission decision ordering a company to submit to searches, ths Court has reduced the role of a national court asked to issue a search warrant to rubber-stamping the Commission's decisions. If the national court must not consider the reasons for, and objectives of, an application for a warrant, there really is no need for such a court to be involved at all. The identity of the inspectors and the authenticity of the decision could be determined much more simply,

for example, by a diplomatic representative of the country concerned in Brussels.

The Court also rejected the companies' complaint that their fundamental right to inviolability of premises had been infringed. Human or funda-mental rights, said the Court, need to be respected only when dealing with individuals, and did not apply to companies - a rather curious decision considering that companies necessarily consist of individuals.

Finally, in direct answer to the Hoechst's threat - made before a court warrant was issued - that it would ask for police protection against "bur-glary" by the Commission's agents, the Court established the superiority of the Commu-nity's "public interest" in the observance of competition rules over the public interest in proper administration of justice. It said: "Higher interests of justice cannot justify such (refusal of co-operation) which is contrary to the obligations of all who are subject to Commu-

These obligations, continued the Court, require companies to have due respect for the actions and effectiveness of Community organs. Their deci-sions remain enforceable as long as the European Court has not ordered the suspension of their enforcement. This means that companies now have a duty of unconditional obedience towards the Commission's inspectors even if their actions infringe national

laws or fundamental human In contrast to Hoechst, Dow Benelux co-operated fully with the Commission's inspectors and let them see and take whatever they wantsd, although under protest. It hoped the Court would annul

obtained by searches which the company considered to be illegal. However, the Court rejected this complaint and elaborated further on the relationship of the Commission and the national authorities, including courts.

The Commission, said the Court, should respect the pro-cedural guarantees of national law and provide national authorities with the necessary information to satisfy the local procedural requirements. The national authorities in their turn "must not substitute their own appreciation of the need for searches for that of the Commission whose evaluation of facts and law is subject solely to a review by the European Court."

As it usually does on such occasions, the Court arrived at this far-reaching conclusion by going right back to the intro-ductory articles of the EEC Treaty, which outline its objec-tives in general terms, to give a new and unexpected meaning to the more specific movisions to the more specific provisions of Regulation 17/1962.

As if shocked hy its own audacity (but more probably as a result of horse-trading on the bench) the Court added a soothing postscript: national authorities, it said, have the power to see that the Commis-sion's decisions are not enforced by excessive or arbitrary means or in a way infringing national law.

The Court treated in a simi-lar, ambivalent way the pri-vacy of tha information obtained by the Commission. It held that the information must not be used for another pur-pose than stated in its decision, hut immediately contradicted this by saying: "... this does not mean that the Commission cannot open new investiga-tions to verify or supplement information which it obtained incidentally in the course of previous searches if this points to the existence of infractions ... in other words, it provided a charter for fishing expeditions.

The complaints of Orkem, the French chemical company, and of Solway & Cle of Belgium raised the issue of self-incrimination and the right of silence

The EEC Treaty obliges the Court to respect the principles of law common to member states. The companies argued that the right to avoid self-in-

international pacts. The Com mission, snpported by the French Government, argued that the Community law of competition does not give companies any right to refuse information leading to self-incrimination. Only in the UK did companies have criminal responsibility, argued France and the Commission, and that was not enough to make this into a general principle which the Conrt had to respect. Accepting this argument, the Court reasoned that the imposition of penalties (£40m in this case) could not be of a penal nature and the safeguards of criminal procedure cannot benefit companies in the course of investigations conducted hy the Commission.

However, the Court accepted that these investigations are subject to certain limits to prevent impairment of the rights of defence in subsequent court proceedings. For this reason, the Commission must not oblige companies to confess to transgressions, whose exis-tence was up to the Commis-sion to prove. Consequently, the Court struck out two questions from the Commission's decisions addressed to Orkem and to Solway which required the companies to describe the operation and enforcement of a price and quota cartel, the existence of which was only pre-sumed by the Commission. But the Court npheld other ques-tions of the Commission pursuing the same objective less

directly. In conclusion, one can say that the four judgments of the European Court somewhat strengthened the companies defence against self-incrimination, but substantially weakened the constitutional position of member states and their possibility of protecting their residants against arbitrary measures of investigation ordered by the Commission. \*The cases are:

Hoechst n Commission, cases 46 & 227/88, September 29 1989 Dow Benelux NV v Commis sion, case 85/87, 17 October 1989

Orkem v Commission, case 374/87, October 18 1989 Solvery & Cie v Commission.

case 27/88, October 18 1989

Dr Hermann is D.J. Freeman & Co Senior Research Fellow in International Trade Law of Queen Mary College, University of London



appointed Mr Howard Roberts as managing director of

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### CURRENCIES, MONEY AND CAPITAL MARKETS

EMS EUROPEAN CURRENCY UNIT RATES

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### **FOREIGN EXCHANGES**

38

#### FINANCIAL FUTURES AND OPTIONS

# **Dollar calm in advance of data**

However, the dollar was not

employment report tomorrow.

THE CURRENCY markets were calm yesterday as the US dollar waited for the release dollar slightly and reinforced the market's belief that the Fed may ease monetary policy before the end of the year to avoid a faster cooling of the economy. depressed much below Tues-day's levels because of the approach of the October

dollar waited for the release tomorrow of the latest employ-ment report and sterling stabi-lised in the wake of the speech to Parliament on Tuesday by Mr John Major, the Chancellor of the Exchequer. The dollar eased slightly in response to a batch of US eco-nomic indicators, which although they were slightly above expectations, still pointed to a weakening econ-omy. US September factory orders, excluding defence, fell by 2.1 per cent after a 2.7 per employment report tomorrow. The market consensus is for non-farm payroll employment to have risen by 150,000 per-sons, compared with the 209,000 person growth in Sep-tember. The unemployment rate is expected to have risen to 5.4 per cent in October com-pared with 5.3 per cent in Sep-tember. Economists commented that by 2.1 per cent after a 2.7 per cent rise in August. Including defence purchases, factory orders were unchanged, comtember. Economists commented that a smaller than expected rise in non-farm payroll employment could spur the Fed to ease monetary policy. Until the release of the employment report, the dollar is expected to trade close to today's closing pared with the 2.8 per cent rise in August and slightly above economists' expectations of an 0.1 per cent fail.

Further evidence of the slower pace of economic growth came with the Federal Reserve's "blege book." The report, prepared for the meet-ing of the Federal Open Market Committee in mid-December, said consumer spending, man-ufacturing and construction activity was mixed around the nation. The Fed also said US resource industries, including energy and agriculture appeared to be improving. The news of s

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**CURRENCY MOVEMENTS** 

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No.1

Sterling # ...... U.S. Dollar ...... Casarlian Sch. ... Belglan Frant, Davish Krone .. Dentsche Mark Netb. Guilder ... Frant Franz

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EURO-CURRENCY INTEREST RATES

Out.

7 Days notice

Short, term

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RRENCY		RATI	LS .	Dec Utar Jan		-		97-21 97-14	Det	Lan 0.540 0.540		2 52	Pres. 9 0.5438 8 0.5439 - 0.5441	IS THEAS	ally side 32min of 1	15 8%. 197%		·····
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rate +1.40 +1.60	+1.0	2	±1.5424 ±1.6419	Dec	L#1 92 93	مالا د	1 Lo 8 927: 8 931	97280 6 9320 - 9321 - 93-12	THREE-D \$1m pain	tern Eth Is of 100%	ODOLLAR (			Jus Estimated Produce d	volume 350 ay's open in	56 (4150) 1 2440 (	110	
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6-5itrepat 37-35-0repat 41g-37-cpm 3-23-0repat	4.87 1	15-13 107-10-1 12-11-15	243	Strike Price 1.500 1.525 1.550 1.575	745 517 297 138	B7151	2014	140 7 135 6 120 4		02 02 09 44 28	Dec 1.64 1.20 2.05	130	259 357 478 621	Predicis d	ny's open in	4, 923 (92		
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D AGAIN		EDC	ALLAR		EUF	OP	EAN	OPT	ONS	EXC	HAN	GE		Na Jun Dec Mar Jun Se	87.31 87.68 87.86 87.91	86.15 86.92 87.37 87.72 87.88 87.95	第27 約27 約22 約22 約22 約22 約22 約22 約22 約22 約	141752785992
One menth		Three ruonths	ра. р.а.		-	_	- No	m, 89	Feb. 90	_	May 90	<b>—</b>	_		87,96	87,98		
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LETTE BUIK FUTURES OPTIMS D0258,000 points of 188%

### FINANCIAL TIMES THURSDAY NOVEMBER 2 1989

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	1	1205	40	120	36	125

Infer.         Damper %           Sterling         69.7         -8.5           Canadian Dollar         69.7         -8.5           Canadian Dollar         104.7         +1.5           Austrian Schlling         107.4         -5.1           Banha Krone         105.6         +10.8           Beighan Franc         107.4         -5.1           Banha Krone         105.6         +10.3           Banha Krone         107.4         +16.3           Gallbar         115.4         +22.5           Swiss Franc         107.4         +16.3           Gallbar         112.0         +15.1           French Franc         102.3         -14.2           Urg         -166.3         100.1         -14.2           Vet         -166.3         100.4         -166.3           Morgan Guaraphy changes: average 1980-1982-1000         1982-100         Ascala           1965 = 1000**Rates are fordet.31         -         12795 - 12805           Astralia:         1026.3* 1034.90         650.00 - 655.00           Astralia:         20205 - 20230         1.2795 - 12805           Faland         67.77 5.324.255         1.63.90 - 166.50           Falan <td< th=""><th>Long term Europicilians; bio years 8<sup>1</sup>g-8<sup>1</sup>g, per cent animal. Short term Fates are call years 8<sup>1</sup>g-8<sup>1</sup>g per cent animal. Short term Fates are call EXCHANGE Nor-1 £ 5 DM Yea f. 1 1.582 2.908 226.3 5 0.632 1 1.838 1.430 0 ON1 0.344 0.544 1. YEB 0.439 0.544 1.2.85 1.000. ON1 0.342 0.544 1.77.82 F Fr. 1.014 1.604 2.949 229.5 S Fr. 0.372 0.620 1.139 88.64 M FI. 0.305 0.482 0.887 68.99 Lica 0.469 0.742 1.353 106.1</th><th>SL-154         154-154         154-154         154-154         154-154           SL-554         SL-654         SL-654         SL-654         SL-654           SL-554         SL-654         SL-654         SL-654         SL-654           SL-554         SL-654         SL-654         SL-654         SL-654           SL-113         SL-654         SL-654         SL-654         SL-654           SL-113         SL-654         SL-654         SL-654         SL-654           SL-114         ISL-104         ISL-104         ISL-104         ISL-104           SL-104         ISL-104</th><th>BUHRMANN-TC FL 70 DAF N.V.C FL 60 N.V. DSM C FL 125 N.V. DSM C FL 125 Exerter C FL 75 Gitt, Broc, C FL 75 Helseken C FL 125 Helseken P FL 130 Hospinness P FL 80 KUM C FL 50 KLM C FL 50 KLM C FL 50 KLM C FL 50 NEDLLOYD C FL 100 NEDLLOYD C FL 100 NEDLLOYD FL 82 NM 8 P FL 65 Philips C FL 50 Bayad Datch C FL 130 Bayad Datch C FL 130 B</th><th></th><th>4       2.40       -       -       FL 41.80         20       6.50       -       -       FL 41.80         200       4       -       -       FL 41.80         200       4       -       -       FL 41.80         200       4       -       -       FL 41.80         200       9.50       -       -       FL 106.10         201       19.50       -       -       FL 133         22       4.20       -       -       FL 57.80         7       2.50       -       -       FL 78.57.80         7       2.50       -       -       FL 78.57.80         14       5       -       -       FL 78.50         14       5       -       -       FL 78.50         15       5.5       4       7       FL 117.80         81       3.70       2       4.50       FL 117.80         7       5.80       -       -       FL 33.80         20       8       -       -       FL 33.80         20       8       -       -       FL 44.60         13       10       5       FL 44.60</th><th>Jam         92.11         92.21         92.25         92.25         92.25         92.24           Separated volume 3440 (7):00         Previous day's open lat. 25020 (24):453         Previous day's open lat. 25020 (24):453           THEEE ANDERS 4450 (7):00         Previous day's open lat. 25020 (24):453           THEEE ANDERS 455 (25):00 (24):453           Dec         97.36 (25):50 (25</th><th>CROS</th><th>JOTTER PAD SWORD HIGHILANDER 5 0 7 0 6 0 7 0 6 0 0 7 0 7 0 7 0 7 0 7 0 7 0 7 0 7 0 7 0</th></td<>	Long term Europicilians; bio years 8 <sup>1</sup> g-8 <sup>1</sup> g, per cent animal. Short term Fates are call years 8 <sup>1</sup> g-8 <sup>1</sup> g per cent animal. Short term Fates are call EXCHANGE Nor-1 £ 5 DM Yea f. 1 1.582 2.908 226.3 5 0.632 1 1.838 1.430 0 ON1 0.344 0.544 1. YEB 0.439 0.544 1.2.85 1.000. ON1 0.342 0.544 1.77.82 F Fr. 1.014 1.604 2.949 229.5 S Fr. 0.372 0.620 1.139 88.64 M FI. 0.305 0.482 0.887 68.99 Lica 0.469 0.742 1.353 106.1	SL-154         154-154         154-154         154-154         154-154           SL-554         SL-654         SL-654         SL-654         SL-654           SL-554         SL-654         SL-654         SL-654         SL-654           SL-554         SL-654         SL-654         SL-654         SL-654           SL-113         SL-654         SL-654         SL-654         SL-654           SL-113         SL-654         SL-654         SL-654         SL-654           SL-114         ISL-104         ISL-104         ISL-104         ISL-104           SL-104         ISL-104	BUHRMANN-TC FL 70 DAF N.V.C FL 60 N.V. DSM C FL 125 N.V. DSM C FL 125 Exerter C FL 75 Gitt, Broc, C FL 75 Helseken C FL 125 Helseken P FL 130 Hospinness P FL 80 KUM C FL 50 KLM C FL 50 KLM C FL 50 KLM C FL 50 NEDLLOYD C FL 100 NEDLLOYD C FL 100 NEDLLOYD FL 82 NM 8 P FL 65 Philips C FL 50 Bayad Datch C FL 130 Bayad Datch C FL 130 B		4       2.40       -       -       FL 41.80         20       6.50       -       -       FL 41.80         200       4       -       -       FL 41.80         200       4       -       -       FL 41.80         200       4       -       -       FL 41.80         200       9.50       -       -       FL 106.10         201       19.50       -       -       FL 133         22       4.20       -       -       FL 57.80         7       2.50       -       -       FL 78.57.80         7       2.50       -       -       FL 78.57.80         14       5       -       -       FL 78.50         14       5       -       -       FL 78.50         15       5.5       4       7       FL 117.80         81       3.70       2       4.50       FL 117.80         7       5.80       -       -       FL 33.80         20       8       -       -       FL 33.80         20       8       -       -       FL 44.60         13       10       5       FL 44.60	Jam         92.11         92.21         92.25         92.25         92.25         92.24           Separated volume 3440 (7):00         Previous day's open lat. 25020 (24):453         Previous day's open lat. 25020 (24):453           THEEE ANDERS 4450 (7):00         Previous day's open lat. 25020 (24):453           THEEE ANDERS 455 (25):00 (24):453           Dec         97.36 (25):50 (25	CROS	JOTTER PAD SWORD HIGHILANDER 5 0 7 0 6 0 7 0 6 0 0 7 0 7 0 7 0 7 0 7 0 7 0 7 0 7 0 7 0
MONEY MARKETS					BASE LEND	ING RATES	20	21
Rates mix	ed .	FT LONDON INT           0,1.00 a.m. Her.JJ         3 means to 5 dollars           bid 8%         offer 8%	6 months US Deliars bid 8% of	iter 8½	ABN Bank 15 Chydeadale Bank Adam & Company 15 Comm. BL.N.Eas Alfled Trist Bank 15 Co-operative Ban Alfled Irist Bank 15 Coetis & Co	1		
INTEREST RATES showed mixed changes on the London money market yesterday, but the rate generally looked to for guidance on the direction of bank base rates - three-month sterling interbank - fell to UK clearing bank base lending rate 15 per cent from October 5	sury hills drained £343m, Exchequer transactions took out £20m, a rise in the note circulation accounted for £110m, and bankers' balances below target £15m. In New York, the Federal Reserve bought all bills for its bwn portfolio for delivery on today, and \$500m for a custom- er.The Fed's move had been anticipated by analysts. The need for reserves was	(Lunchilme)     Gre mostin       Prime rate     105       Broker loan rate     10       Fed. funds at Intervention     91       Nor.1     Orenight	PATES       Treasury 8 IIIs and Bonds       7.50       6.25       7.50       7.50       7.65       80-100       80-00	7.89 7.85 7.85 7.85 7.90 7.90 7.90 1.contard Intervention	Henry Auslacter 15 Cyrms Popular B     Aesociates Cap Corp 14 Dunter Bank Pit     Auttority Bank 15 Duncar Laurde     B & C Merchant Bank 15 Equatorial Bank     Bank of Banoda 15 Financial & Gen.     Bank Of Banoda 15 Financial & Gen.     Bank Of Banoda 15 Financial & Gen.     Bank Of Banoda 15 Rational & Bank Credit & Comm 15 Rational & Bank of Instance 15 Robert Financial & Gen.     Bank of Instance 15 Robert Financial & Gen.     Bank of Instance 15 Globank 15 Bank of Instance 15 Globank 15 Bank of Instance 15 Hartbook Bank for Instance 15 Bangue Beige Ltd 15 Hartbook Bank 15 Bangue Beige Ltd 15 Bangues Blank PIC 15 Bangues Bank PIC 15 Bangues Bank PIC 15 Bangues Bank PIC 15 Bangues Blank PIC	tr	ACROSS May prickly sensation can become sharp pain (6) 4 Followed in darkness (8) 9 Completely devout, they say (6) 10 Biscuits and bananas (8)	a Haif of side stopped dead (3) 7 Bestle and bidge partness settle up (5) 8 Autocratic ruler of French corporation (6) 11 Argue about stupid arrange- ment with key (7)
per cent on Tuesday. This indi- cated a gradual easing of wor- ries after Mr John Major, the Chancellor of the Exchequer, spoke on Tuesday in Parlia- ment. Mr Major underlined his determination to put the defeat of inflation at the top of the	prompted earlier in the week by a gap between the dates of settling and maturing bills. That gap prevented the Fed from bidding at this week's bill auction, effectively causing a large drain on banking reserves as only the market had bid for the securi-	Ansterian         a11415         a21415           Toto         64443         64443           State         64443         64443           Billion         124-124         124-13           Brusset         850         94-93           Buble         94-10         11-11           Buble         94-10         11-11           LONDON MO         MO			Brown Shipley 15     Business Mings Bank PLC 15%     Business Mings Bank PLC 15%     C. Hoare & Co     Hongtong & Staas     C. Bank Nederland	Sons_ 15 Banking & Securities Houses 16 Association. * Deposit now 5,9% 4	<ol> <li>Musical composition? Speaker has written ten (8)</li> <li>Take care of a serious offence inside gambling den (6)</li> <li>Skough's storage area? (4)</li> <li>One who strikes the bottom sail (7)</li> <li>Ship's left fish on show (7)</li> <li>Contains hard drug (4)</li> </ol>	<ol> <li>Ornate below in early stage of growth (7)</li> <li>Make shorter agreement (8)</li> <li>Mixed set: a drawback on this particular course (8)</li> <li>The purchase of goods on Sunday is leaping up (8).</li> <li>Current price for buttonhole (6)</li> </ol>
Government's priorities and said he favoured a "firm	nes. In Frankfurt, call money	Nov 1 Overnight 7 days actice	One Three Six Month Months Months				25 It's hard in class to be mod- est (6)	23 Male insect is producing another one (6) 24 People need time to become
exchange rate" to help under- pin his anti-inflation policy. The Bank of England ini- tially forecast a credit shortage of about £500m in the money markets, but revised this to £550m at noon and £600m in the afternoon. Total help of £546m was provided. Before lunch, the anthorities bought £446m bills, including £375m band 1 bank bills at 14% per cent, and £71m band 2 Treasury bills at 14% per cent. Late assistance of about £100m was provided. Bills maturing in official hands, repayment of late assis-	rates eased slightly on news of a new repurchase allocation and before Thursday's Bundes- bank council meeting. Trading in the money markat was quiet, with banks in several parts of West Germany closed for a religious holiday. The new allocation totaled DM21bn and injects DM1bn into the money market. The allocation comprises DM11.1bn of one-month funds at 7.3 per cent and DM9.9bn of two- month funds at 7.75/8.20 per cent. Dealers said the alloca- tion meant that call money could edge lower in the first	Interhank Offer 15 15½ Interhank Bid 7 1 Local Authority Dets 147, 15 Local Authority Dets 147, 15 Local Authority Dets 147, 15 Local Authority Dets 15 Local Authority Dets 15 Interheave Dessite 15 Discount Mit: Deps 15 Interheave Depside 15 Dets Dessite 15 Dets Linked Dep. 0ffer 1 SOR Linked Dep. 0ffer 1 ECU Linked Dep. 0ffer 1 Isb.004 np. c. Local Authority and Pinance Houses Finance Houses Base Rate 15% from November 11: 16.22 p.c. Reference rate for period Sett 3 15.004 np. c. Local Authority and Pinance Houses Finance Houses Base Rate 15% from November 14: 16.22 p.c. Reference rate for period Sett 3 15.004 np. c. Local Authority and Pinance Houses Finance Houses Base Rate 15% from November 14: 16.22 p.c. Reference rate for period Sett 3 15.004 np. c. Local Authority and Pinance Houses Finance Houses Base Rate 15% from November 10 May 25,1989 , Deposits withdrawn for cash 5 from Sett 5	154, 155, 155, 155, 155, 155, 155, 155,	1434 1445 1445 1445 - - 1444 1444 - - 8.40 845 845 845 1035 1035 1035 1035 1035 1035 1035 103	CLASSIFIED ADVER	Single           Per line         col cm           (min.3 lines)         (min.3 cms)           £         £           14.50         48.00           12.50         43.00           14.50         51.00           13.50         46.00           10.00         35.50           10.00         35.50           10.00         35.50           10.00         36.50           10.00         36.50           13.50         46.00           xme available         cms)           chude VAT         kiks write for           ement Hanager         -	<ul> <li>26 Don't go without hand from hottle cap (5,3)</li> <li>28 Not in - went out with old hat (3)</li> <li>29 Is round circling a considerable distance from expedition (6)</li> <li>30 Underground experiment at the front with scientific glassware (4,4)</li> <li>31 Old sailor has aged so at sea (3,3)</li> <li>DOWN</li> <li>30 Wood-cutting frame was lifted on to mount (8)</li> <li>2 Heathen one goes on to act afterwards (8)</li> </ul>	members of a household (6)         27         Aromatic plant from another botanical genus (4)         Solution to Puzzle No.7,078         SHIDINDY         Sector         March 1         Coll C         March 1         March 1         Aromatic plant from another botanical genus (4)         Solution to Puzzle No.7,078         SHDINDY         Aromatic Plant         Statistics         SHDINDY         SHDINDY
tance and a take-up of Trea-	half of this month.			I		· · · · · · · · · · · · · · · · · · ·	this animal group (4)	DI ISIDIËINISIE BIYANIES

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### WORLD STOCK MARKETS

AUSTINA FRANCE (continued) CERMANY (continued) ITALY (continued) SWEDEN October 31 Scis + ar - (Scibber 31 Frs. + ar - ) Normanity 1 Day, + ar ) Scibber 32 Live + ar   Normanity 2 Krewit + or   Normanity 2 Krewit + or	
	High Low Class Charg Bales Shock High Low Class Charg
Perimonser         1560         +60         Bitle-Say         715         +15         Bitle-Basic         1003 <th1003< th="">         1003         1003<td>301         60 h, 505 h; 535 h; 5</td></th1003<>	301         60 h, 505 h; 535 h; 5
BELGINYM/LUXENTROURG         October         970         -18         Damler-Bear         674.5         Horeader         1         Fis.         + ar         Scaling Free         205         42         1000 Albra N         3795         10         300 Commul B         502 / 14 / 14         134 / 14         Calcol Albra N         3795         10         300 Commul B         502 / 14         144 / 14         144         Calcol Albra N         3795         10         300 Commul B         502 / 14         144 / 14         144         600 Albra N         3795         10         300 Commul B         502 / 14         144 / 14         144         600 Albra N         3795         10         300 Commul B         502 / 14         144 / 14         146         300 / 14         147751 Corone A / 1         30 / 14         147 / 14         147751 Corone A / 1         30 / 14         147 / 14         147751 Corone A / 1         30 / 14         22 + 1         300 / 14 <td>Statis         Statis         Statis&lt;</td>	Statis         Statis<
Do. AFV1         5,720         Decksin Franz         5,720         Constr Franz         6,520         -0.1         SWITZZERLAND         Pra         -0.1         SUID Bit Monitor         SUID Bit Monit Mon	22331         2434         2434         74         2003         20016         811         161         1
D0, AFV         Artis         Hold         Director         22250         +0.5         Use Page         22250         +0.5         Use Page         2400         +5         Hold         Ball         Better         22250         +0.5         Use Page         2400         +5         Hold         Better         22250         +0.5         Use Page         237.0         -50         Store Page         25         Store Page         26         Store Page         27         Store Page	Solid Story         Story
Db. AFV1         3,690         cm. Decidination         771         -2         Laffet	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$
201 - 1270 - 127	224, 254, 554, 5 331, 335, 31 + 1, 033 Webmast E 320 J, 20 J, 4 + 1, 033 Webmast E 320 J, 20 J, 4 + 1, 033 Webmast B 42 J, 42 J, 42 J, 4 + 1, 5 56 53 53 - 3 11613 Webmard A 240 235 235 - 5
00. AFV2 (6.7/0) (6.7/0 (6.7/0)	56         53         53         11815 Viboched A         240         235         235         5           5016         1191         1054         14         1
Bit AV 2       Bit AV	(313) 154 944 + 4 (313) 1544 16 + 3 (313) 1544 16 + 3 (1997) 1544 16 + 3 (1997) 1544 16 + 3 (1997) 1545 16 + 3 (1997) 15
Op. AFV 2	All         Bit
Op. AFV 2	State         104         184           Nov.         Oct.         Oct.         1989           1         31         30         27         HiGH         LOW           1809         1646.7         1646.2         1637.0         1621.1         1781.8 (29/8)         1412.9 (7/4)
Display       Strate	Nov.         Oet.         Oct.         Oet.         1989           1         31         30         27         High         LOW           1         31         30         27         High         LOW           1600         1648.7         1645.2         1637.0         1621.1         1781.8         29/80         1612.9         7/40           10         792.3         795.8         791.1         770.3         875.1         29/80         1632.6         7/40           12/940         428.10         430.77         446.20         515.09         111/10         219.5         2/1)
District       Control       Contro       Control       Control	Nov.         Oet.         Oet.         Oet.         1989           1         31         30         27         HiGH         LOW           1800         1648.7         1646.2         1637.0         1621.1         1781.8         129/80         652.6         1/40           12/940         (c)         6230.86         6205.97         6225.42         6805.28         26/51         5519.30         64/D
District       Control       Contro       Control       Control	Nov.         Oel.         Oor.         Oel.         1889           1         31         30         27         HiGH         LOW           1890         192.3         795.8         789.1         770.3         875.1         29/80         652.6         67/9           12/940         (c)         428.10         439.77         446.20         515.09         11/10         219.5         12/10           10         60         6230.96         6205.97         6295.42         6805.28         20/97         5519.30         14/12           10         60         6230.96         6205.97         6295.42         20/97         5519.30         14/12           11(839         343.30         342.10         339.77         338.93         356.65         12/77         275.49         27/20
Sp. Art 2       Constraint       Constraint <td>Nov.         Oet.         Oct.         Oet.         1989           1         31         30         27         HiGH         LOW           100         1923         795.8         789.1         770.3         875.1         624.60           12/940         to         428.10         439.77         446.20         515.09         11/10         219.5         12/1           10         to         652.06         6205.97         6295.42         6805.28         6205         519.30         14/D           1/839         343.30         542.10         339.77         38.93         356.65         12/7         275.49         627.09           1/839         343.30         542.10         339.77         38.93         356.65         12/7         275.49         60.8         625/09           1/839         663.0         6666.1         6665</td>	Nov.         Oet.         Oct.         Oet.         1989           1         31         30         27         HiGH         LOW           100         1923         795.8         789.1         770.3         875.1         624.60           12/940         to         428.10         439.77         446.20         515.09         11/10         219.5         12/1           10         to         652.06         6205.97         6295.42         6805.28         6205         519.30         14/D           1/839         343.30         542.10         339.77         38.93         356.65         12/7         275.49         627.09           1/839         343.30         542.10         339.77         38.93         356.65         12/7         275.49         60.8         625/09           1/839         663.0         6666.1         6665
Bit Art 6       Ling       Constraint	Nov.         Oct.         Oct.         Oct.         1989           1         31         30         27         HiGH         LOW           100         1923         795.8         789.1         770.3         875.1         29(8)         652.6         67(4)           12/940         (c)         428.10         430.77         446.20         515.09         11/10)         219.5         2/10           00         60         6230.96         6205.47         6256.4         2         655.28         7/40           12/940         (c)         6230.96         6205.97         6255.42         6805.28         5519.30         14/1D           12/950         (c)         6230.96         6205.97         5519.30         14/1D           12/950         643.0         6664.1         6665.5         6642         815.8         12/19         60.8         627/10           7/75         663.0         6666.1         6665.5
Sp. Art 2       Constraint       Constraint <td>Nov.         Oel.         Oor.         Oel.         1889           1         31         30         27         HiGH         LOW           1890         1         31         30         27         HiGH         LOW           1         31         30         27         HiGH         LOW           1890         1         31         30         27         HiGH         LOW           1890         1648.7         1648.7         1648.7         1648.7         1642.1         1781.8 (29/8)         J412.9 (7/4)           10         792.3         795.8         789.1         770.3         875.1 (29/8)         652.6 (7/4)           12/940         (c)         428.10         439.77         446.20         515.09 (11/10)         219.5 (2/1)           10         40         6230.86         6205.97         6295.42         6805.28 (24/5)         5519.30 (4/10)           1/839         343.30         342.10         339.77         338.93         356.65 (12/7)         275.49 (27/2)           1/839         343.30         542.10         339.77         338.93         356.65 (12/7)         275.49 (27/2)           1/839         343.30         542.10         339.77<!--</td--></td>	Nov.         Oel.         Oor.         Oel.         1889           1         31         30         27         HiGH         LOW           1890         1         31         30         27         HiGH         LOW           1         31         30         27         HiGH         LOW           1890         1         31         30         27         HiGH         LOW           1890         1648.7         1648.7         1648.7         1648.7         1642.1         1781.8 (29/8)         J412.9 (7/4)           10         792.3         795.8         789.1         770.3         875.1 (29/8)         652.6 (7/4)           12/940         (c)         428.10         439.77         446.20         515.09 (11/10)         219.5 (2/1)           10         40         6230.86         6205.97         6295.42         6805.28 (24/5)         5519.30 (4/10)           1/839         343.30         342.10         339.77         338.93         356.65 (12/7)         275.49 (27/2)           1/839         343.30         542.10         339.77         338.93         356.65 (12/7)         275.49 (27/2)           1/839         343.30         542.10         339.77 </td
Sp. Art 2       Constraint       Constraint <td>Nov.         Oct.         Oct.         Oct.         1989           1         31         30         27         HiGH         LOW           100         1648.7         1646.2         1637.0         1621.1         1781.8 (29/8)         652.6 (7/4)           12/80         (c)         428.10         430.77         446.20         515.09 (11/10)         219.5 (2/1)           00         (c)         6230.86         6205.97         6295.42         6805.28 (2/7)         275.49 (27/2)           12/80         (c)         652.0         1397.77         338.93         356.65 (12/7)         275.49 (27/2)           11/83         343.30         542.10         3397.77         338.93         356.65 (12/7)         275.49 (27/2)           11/83         343.0         665.1         6665.5         664.2         815.8 (18/4)         660.8 (25/10)           12/850</td>	Nov.         Oct.         Oct.         Oct.         1989           1         31         30         27         HiGH         LOW           100         1648.7         1646.2         1637.0         1621.1         1781.8 (29/8)         652.6 (7/4)           12/80         (c)         428.10         430.77         446.20         515.09 (11/10)         219.5 (2/1)           00         (c)         6230.86         6205.97         6295.42         6805.28 (2/7)         275.49 (27/2)           12/80         (c)         652.0         1397.77         338.93         356.65 (12/7)         275.49 (27/2)           11/83         343.30         542.10         3397.77         338.93         356.65 (12/7)         275.49 (27/2)           11/83         343.0         665.1         6665.5         664.2         815.8 (18/4)         660.8 (25/10)           12/850
Sp. Art 2       Constraint       Constraint <td>Nov.         Oct.         Oct.         Oct.         1989           1         31         30         27         HiGH         LOW           100         792.3         795.8         789.1         770.3         875.1         2698         652.6         6740           12/940         6c         428.10         430.77         446.20         515.09         11/10         219.5         2/1           10         60         6730.86         6205.97         6252.6         7/40         652.6         7/40           11/803         943.30         542.10         339.77         338.93         356.65         12/7         275.49         627.03           11/803         643.0         6665.1         6665.2         664.2         815.8         12/81         617.00         617.9         517.9         14/10           11/803         642.2         617.61         13.55         14.81         12/81.01/100         917.9         627</td>	Nov.         Oct.         Oct.         Oct.         1989           1         31         30         27         HiGH         LOW           100         792.3         795.8         789.1         770.3         875.1         2698         652.6         6740           12/940         6c         428.10         430.77         446.20         515.09         11/10         219.5         2/1           10         60         6730.86         6205.97         6252.6         7/40         652.6         7/40           11/803         943.30         542.10         339.77         338.93         356.65         12/7         275.49         627.03           11/803         643.0         6665.1         6665.2         664.2         815.8         12/81         617.00         617.9         517.9         14/10           11/803         642.2         617.61         13.55         14.81         12/81.01/100         917.9         627
Sp. Art 2       Constraint       Constraint <td>Nov.         Oct.         Oct.         Oct.         1989           1         31         30         27         H9GH         LOW           1809         1648.7         1646.2         1637.0         1621.1         1781.8 (29/8)         652.6 (7/4)           00         792.3         795.8         789.1         770.3         875.1 (29/8)         652.6 (7/4)           12/940         6c         6230.86         6205.97         625.42         6805.28 (2/6)         519.30 (4/1)           11/939         403.30         542.10         339.77         338.93         356.65 (12/7)         275.49 (27/2)           11/939         463.30         646.1         646.5         664.2         815.8 (18/4)         660.8 (25/10)           11/939         463.30         646.1         502.8         513.5         541.6 (11/10)         617.9 (4/1)           11/939         11/73         115.5         114.8         1281         10/10)         97.5 (27/2)&lt;</td>	Nov.         Oct.         Oct.         Oct.         1989           1         31         30         27         H9GH         LOW           1809         1648.7         1646.2         1637.0         1621.1         1781.8 (29/8)         652.6 (7/4)           00         792.3         795.8         789.1         770.3         875.1 (29/8)         652.6 (7/4)           12/940         6c         6230.86         6205.97         625.42         6805.28 (2/6)         519.30 (4/1)           11/939         403.30         542.10         339.77         338.93         356.65 (12/7)         275.49 (27/2)           11/939         463.30         646.1         646.5         664.2         815.8 (18/4)         660.8 (25/10)           11/939         463.30         646.1         502.8         513.5         541.6 (11/10)         617.9 (4/1)           11/939         11/73         115.5         114.8         1281         10/10)         97.5 (27/2)<
Bit Mark	Nov.         Oct.         Oct.         Oct.         Image: Ima
Bit Area         Control         Description         Control         Description         Control         Description         Control         Description         Description<	Nov.         Oct.         Oct.         Oct.         IB89           1         31         30         27         HIGH         LOW           1         31         30         27         HIGH         LOW           1809         1646.7         1646.2         1637.0         1621.1         1781.8 (29/0)         JA12.9 (7/4)           12/04         192.3         795.8         796.1         770.3         875.1 (28/6)         652.6 (7/4)           12/040         10         428.10         430.77         446.20         515.09 (11/10)         219.5 (2/1)           10         40         6230.86         6205.97         6235.42         6805.28 (24/9)         551.9.30 (4/D)           1483         343.30         342.10         39.77         338.93         356.65 (12/7)         275.49 (27/2)           1483         343.30         342.10         39.77         338.93         356.65 (12/7)         275.49 (27/2)           1483         183.1         183.1         128.1         100/100         97.5 (27/2)           1498         641.1         137.3         115.5         114.8         128.1         100/100         97.5 (27/2)           12780         643         147.276
Barry         Barry <th< td=""><td>Nov.         Oct.         Oct.         Oct.         IB89           1         31         30         27         HIGH         LOW           1         31         30         27         HIGH         LOW           1809         1646.7         1646.2         1637.0         1621.1         1781.8 (29/0)         JA12.9 (7/4)           12/04         192.3         795.8         796.1         770.3         875.1 (28/6)         652.6 (7/4)           12/040         10         428.10         430.77         446.20         515.09 (11/10)         219.5 (2/1)           10         40         6230.86         6205.97         6235.42         6805.28 (24/9)         551.9.30 (4/D)           1483         343.30         342.10         39.77         338.93         356.65 (12/7)         275.49 (27/2)           1483         343.30         342.10         39.77         338.93         356.65 (12/7)         275.49 (27/2)           1483         183.1         183.1         128.1         100/100         97.5 (27/2)           1498         641.1         137.3         115.5         114.8         128.1         100/100         97.5 (27/2)           12780         643         147.276</td></th<>	Nov.         Oct.         Oct.         Oct.         IB89           1         31         30         27         HIGH         LOW           1         31         30         27         HIGH         LOW           1809         1646.7         1646.2         1637.0         1621.1         1781.8 (29/0)         JA12.9 (7/4)           12/04         192.3         795.8         796.1         770.3         875.1 (28/6)         652.6 (7/4)           12/040         10         428.10         430.77         446.20         515.09 (11/10)         219.5 (2/1)           10         40         6230.86         6205.97         6235.42         6805.28 (24/9)         551.9.30 (4/D)           1483         343.30         342.10         39.77         338.93         356.65 (12/7)         275.49 (27/2)           1483         343.30         342.10         39.77         338.93         356.65 (12/7)         275.49 (27/2)           1483         183.1         183.1         128.1         100/100         97.5 (27/2)           1498         641.1         137.3         115.5         114.8         128.1         100/100         97.5 (27/2)           12780         643         147.276
	Nov.         Oet.         Oet.         Oet.         Image: Constraint of the state of the
	Nov.         Oct.         Oct.         Oct.         Image: Ima
	Nov.         Oct.         Oct.         Oct.         Image: Ima
	Stable         HOLA         LOW         HOLA         HOLA <t< td=""></t<>
	Nov.         Oct.         Oct.         Oct.         Image: Ima

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### FINANCIAL TIMES THURSDAY NOVEMBER 2 1989

### **NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

 
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**NYSE COMPOSITE PRICES** 

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### WORLD STOCK MARKETS

#### AMERICA

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# Early boost from economic survey slips away later

#### Wall Street

AFTER TUESDAY'S takeoverrelated buying epree, the equity market yesterday morning traded in a narrow range, slipping to modest losses by slon, writes Janet Bush in New York.

At 2 pm, the Dow Jones Industrial Average was quoted 9.22 points lower at 2,635.86 on moderate volume of 107m

The American Stock Exchange Index and the Nas-dag Composite were both a little higher at midses

The market received an early boost from the publication of the October US purchasing managers' survey of eco-nomic activity, which showed that the economy continued to decelerate but less quickly than in previous months. This was basically good

news for the equity market, because it suggested that the economy was landing softly, but stock analysts continued to believe that the market needed to see another Federal Reserve easing before it could build on its recovery since its 190-point

drop on October 13. The Fed's Tan Book of regional economic reports was also published. It reported slow to moderate growth in most areas and insignificant upward

pressure on prices. Neither of these economic reports appeared to provide further justification for a Fed easing. Financial markets, therefore, will be looking disclar at toppeare closely at tomorrow's October

employment figures. Yesterday's evidence of con-tinued growth at a moderate pace was welcome in view of the singgisb corporate earn-ings growth seen in the third quarter. Disappointing profit-ability heightened stock investors' concerns about the potential impact on companies of a sharp deceleration in economic

activity. While Tuesday's session was enlivened by news of the \$3.18bn bid by Georgia-Pacific for Great Northern Nekoosa, the announcement of an offer by NL Industries for the shares of Georgia Gulf it does not already own failed to spark excitement in the broad mar-

Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, noted that the offer by Georgia-Pacific had hit a stock

market that was technically ripe for a rally. He said that Tuesday's rally had taken the equity market to just below a resistance area of between 2,650 and 2,660.

Georgia Pacific slid another \$% to \$50%, while Great North-ern Nekcosa dipped \$% to \$61%, giving up a little of its \$20 gain on Tuesday. NL Industries, controlled by Dallas investor Mr Harold Sim-

Danas investor far harold Sim-mons, said that it was offering \$50 e share in cash. Along with its affiliates, NL already owns e 9.9 per cent stake in the company. Georgia Gulf added \$1% to \$50% while NL slipped \$%

to \$22%. Among other featured etocks, Campbell Soup rose \$3% to \$47% in the wake of the resignation of Mr George McGovern as president and chief executive.

Sea Containers added \$% to \$62% after the company \$62% after the company announced its long-awaited restructuring plans. These included the sale of \$1.1bn in assets and using some of the sale proceeds to buy back about 50 per cent of its com-mon stock for \$70 a share. ASIA PACIFIC

Allergan gained \$'/4 to \$19% after the Food and Drug Administration said that the company could begin market-ing an intra-ocular lens designed for cataract patients.

On the over-the-counter mar-ket, Northeast Bancorp jumped \$8% to \$70. Northeast has agreed to be acquired by Bank of New York, and yesterday's rally came after Bank of New England dropped its opposition

to full inter-state banking in the New England area. Also in over-the-counter trading, Diceon Electronics fell \$% to \$5% on news that two senior officers of the company and a former employee had been charged with violating California health and safety regulations.

#### Canada

**NEWS that US September fac** tory orders and construction epending were unchanged helped Toronto share prices make slight gains by midses-sion in thin volume.

The composite index rose 3.7 to 8,922.4 on volume of 11.5m shares. Cominco Ltd lost C\$% to

C\$26% after its purchase on Tuesday of 50 per cent of the Glenbrook nickel smelter in Oregon.

# **FINANCIAL TIMES**

# Mauled entrepreneurs personify Australia's woes

The outlook for the economy, however, is proving a more significant worry, writes Chris Sherwell

CTOBER and Novem-ber are Sydney's finest sky, the spring sun warms the surf. Sails crowd the harbour, bodies cram the beaches. Sum-mer holidays beckon.

Unfortunately for investors this year, the improving cli-mate is not reflected in the share market. Wall Street has done e nose-dive. The dome economy is in belly-flop mode. And local business heroes are in deep water. Predictably, New York's

spectacular plunge on Friday the 13th dragged Australia in its wake, although the alide ended less awkwardly than feared. The market lost about three-quarters of the gains it bed made over the three months to September. The widely-watched All Ordi-naries index is now floating in

than the 1,450 to 1,670 band - better than the 1,450 to 1,580 range it meandered through for 10 months to July, but well below the 1,780 level it touched before the October correction, and far short of its 2,305 record of September 1987. Domestic economic currents

are hampering the market even more firmly. The balance

Top-flight businesses are paying more than 20 per cent for loans, and the inflation rate has risen back to 8 per cent. Last month, Standard & Poor's downgraded Australia's

of payments is heading for a record deficit on the current account of A\$20bn (US\$15.5bn).

official warning that the for-eign debt would not stabilise before 1984. The forthcoming general election, expected within six months, provides a further element of uncertainty. Add to this the battering of Australian entrepreneurs most recently Mr Alan Bond ment is no suprise. The mar-ket understands these busi-nessmen's difficulties better

nowadays, but their plight remains richly symbolic. Mr Bond, Australia's bestknown businessman, last month produced unaudited accounts for his Bond Corporation which revealed the largest loss in the country's history --almost A\$1bn, not counting significant items being quali-

fied by his accountants. The figure included losses by the subsidiaries Bell Group

(A\$272m) and Bell Resources (A\$385m), which would have Australia ranked high on the league table in their own right. The informal liquidation of Mr Bond's empire continues. Last month he sold his US-listed gold business. He hopes next to realise a high value for his Australian brewing assets

Mr Skase's decline has been even more dramatic. One moment last month he was poised to become a Hollywood film mogul through his US\$1.5bn purchase of MGM/ United Artists Communications. The next, the deal was off and his US arm was filing for bankruptcy protection because it could not meet a

Mr Skase is now fighting to stave off receivership for his Qintex media and resorts group. He is selling his Mirage resorts and three television stations. To a stummed market, he has also revealed that Qin-tex has paid a company run by himself and his executives A\$42m since Angust 1968.

Mr Bond and Mr Skase are not the only antipodean entrepreneurs to have been beached since 1987. Other names include Mr Robert Holmes à

Indices '000 Media 6 1 Entrepreneurial Jul'87 88 -89

Court (Bell), although he is making his own private way again, Mr Bruce Jndge (Ariadne), Mr Altan Hawkins (Equiticorp), Mr George Herscu (Hooker), Mr Colin Reynolds (Chase), Mr Laurie Connell (Rothwells) and Mr Kevin Parry (Parry Corporation). The list goes on, but there is another side. Mr John Spal-vins' Adelaide Steamship has notched up considerable suc-cess. So has the AFP group under Mr Basil Sellars, Mr Peter Scanlon and Mr John Gerahty – and so have Sir Ron Court (Bell), although he is Gerahty - and so have Sir Ron

- has plummeted from 10,807 Brierley's Industrial Equity Ltd (IEL) and Mr Russell Goward's Westmex. A measure of these mixed

developments is provided by the stock exchange's "entrepre-neurs' index," which not only includes Adsteam, AFP, IKL and Westmex, but also Bond Corporation, the two Bell com-panies and Ariadne. In Septem-ber 1987, the index stood at 10,039. Yesterday, it was 5,262. Another index to embrace

entrepreneurial companies covers the media. Apart from Mr Skase's Qintex and Mr Bond's Bond Media, it includes Mr Rupert Murdoch's News Corgoration and Northern Star, until recently controlled by Mr Frank Lowy. In September 1987, the media Index was 9,998. Yesterday, it was 5,688. Gold companies are also showing a dramatic decline, in line with the long-term trend in the bullion price Vectorday in the bullion price. Yesterday the gold index, which includes the small gold explorers and miners as well as the leaders, was at 1,593, down from 3,946 in September 1987. Similarly, the insurance index - which includes FAI Insurances, known for entrepreneurial flair under the late Mr Larry Adler

in September 1987 to 4,814. But such trends, and the role of the entrepreneurs within them, must be kept in perspe-

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tive. These indices together account for 14 per cent of the All Ordinaries. By confrast, the diversified industrials index counts for 14.1 per cent and the banks index for 10.6 per cent. Both currently stand above their September 1987 level. The real unknowns concern

the outlook. Conventional thinking says a worldwide recession is unlikely, commodity prices will hold and interest rates bave peaked. So while the outlook for profits growth may be discouraging, a boost for the market will come with the inevitable downturn in interest rates and a conse-quently weakening domestic currency, which stimulates for-

eign interest. For now, however, Australia is undoubtedly underperform-ing other markets, and the optimism which became fleet-ingly apparent in July has given way to caution, even outright nervousness, and a side-ways drift. In the words of one international broker, the mar-ket is just "trickling East."

# Investors focus on the short term as yen weakens

#### Tokyo

SHORT-TERM business dominated the market amid ner-vousness over the weak yen, leaving share prices with only a marginal gain, writes Michigo Nakamoto in Tokyo. The Nikkei average rose

moderately in early trading, on encouragement from Wall Street, but index selling towards midday left it with a modest advance of 14.99 to 35,564.43. The day's high was 35,640,37 and the low 35,453,21. Advances and declines were almost even, at 451 against 454, and 208 issnes were unchanged.

Turnover moved up slightly to 970m shares from the 909m traded on Tuesday. The Topix index of all listed shares was 1.46 points down to 2,691.19, but in London, the ISE/Nikkei, 50 index rose 5.21 to 2,071.23. Confidence sagged as the

#### SOUTH AFRICA

GOLD SHARES picked up from their day's lows in Johannesburg yesterday, as the bullion price rose slightly and the financial rand weakened. Randfontein added R2.50 to R312.69 and Kloof rose 25 cents to R41.75, while Vasl Reefs lost R2 to R369.

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one broker.

specific attractions, to those with room for improvement.

Mitsubishi Estate, which said on Tuesday that it would acquire a 51 per cent stake in the Rockefeller Group and its 14 buildings in New York City,

was a case in point. After being

aggressively bought and rising a solid Y150 on Tuesday, the

day of the announcement, yes-terday it was just as suddenly

at Y2.810 on mediocre volume.

Tokyu group companies met a similar fate, with Tokyu Corp another Y30 lower at Y2,850.

Investors lost their taste for

and closed down Y70

yen retreated against the dol-lar, and investors chose to con-centrate on the short-term. Tokyu after its share price performance began to look similar to that of Sony -- which climbed on a sudden burst of "Yon can't expect much from the market ahead of the long weekend, and the release of US interest and then ran into a brick wall, just before its high. One broker pointed ont that since its downfall, Sony has unemployment figures," said Activity shifted quickly from shares which had already risen been up on only two trading days in the past 16. substantially on news or other

the Tokyu group to Yasuda

added more spice to the issue. Strong business prospects saw buoyant trading in Ishika-wajima-Harima Industries, the

Osaka put in a much stronger performance as interest in issues with property assets triggered buoyant trading. The OSE average closed up 190.26 at 36,534.16. Volume increased to 75m shares from the 71m traded on Tuesday. Hankyu, the raflway company selected for its land development profor its land development pr jects, gained Y100 to Y1,540.

#### Roundant

**OPPOSING** influences, externel or internal, seemed impor-tant to markets on the Pacific Rim yesterday, with the result that none of them got very far in the end.

AUSTRALIA balanced a sharp fall in golds with a good performance in industrials,

and the All Ordinaries index edged up 2.5 to 1,648.7. Turn-over slipped to 93m shares and A\$142m, from 104m and

tralian market performance cooling it down, after a sharp morning rise on Wall Street. The Barclays index ended 20.74 higher at 2,135.22, having lost around a third of the morning session's 30-point gain. SINGAPORE added margin-ally to Tuesday's sharp gains, but turnover remained limited by uncertainty about the split by Malaysia and the outlook on Wall Street. The Straits Times industrial index gained 2.83 to 1,335.24

index gained 2.83 to 1,335.24 after a 2 per cent rise the previ-ous day. Volume was 63m shares, slightly higher than

light at HK\$860m, down from HK\$895m previously.

The prospect of a US Soviet summit meeting channelled buying into companies with Soviet ties, such as Komatsu, the construction machinery maker. Interest was short-lived, however, and Komatsu closed unchanged at

# industry, topped the volumes list with 68m shares and advanced ¥80 to ¥1,880. Rumours that a well-known speculator has switched from

Y1,380, after rising Y40 to an intraday high of Y1,430. Yasuda Fire and Marine, popular on speculation about restructuring in the insurance

shipbuilder, which gained Y89 to Y1,340.

A\$152m. A sharp fall in the gold price, late on Tuesday, ended the surge in gold issues which had carried the rest of the market forward in the previous two sessions. The gold shares index fall 27.4, or 1.7 per cent, to 1.593.1, after a 7.5 per cent rise earlier in the week. rlier in the week.

transportation group, which reported e 70 per cent first-quarter profit shimp on Tues-day, jumped another 8 cents to A\$3.05 after a 10 cent gain the day before. TNT maintained its quarterly dividend, blamed its setback on the domestic pilots dispute and topped national turnover yesterday with 3.4m shares traded. NEW ZEALAND did its own

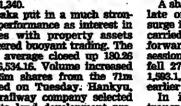
balancing act, with the relative modesty of Japanese and Aus-

Tuesday's film. Blue chips again led gains, with Singapore Airlines foreign up 50 cents at \$\$18.70.

HONG KONG saw profit tak-ing, and early gains were erased as the Hang Seng index closed 3.61 lower at 2,721.68. Turnover remained relatively

In industrials, TNT, the

# A\$152m



## All Saints holiday puts brake on volume

LACK of volume was tha common thread in Continental markets which stayed Open yesterday. Paris, Milan, Mad-rid, Brussels and Vienna were all closed for the All Saints hol-iden wider for the All Saints holiday, writes Our Markets Staff.

FRANKFURT mixed e par-tial boliday with a painfully thin market, and the debatable stimulus from a 1991 end to bourse turnover tax. The result was e 3.43 rise in the DAX index to 1,476.19, after a 3.61 rise to 621.22 in the FAZ at midsession.

Turnover plumbed the depths at DML5bn. Monday's DM2.6bn (ahead of DM2.7bn on Tuesday) had been the lowest for five months. Deutsche Bank topped the actives list in turnover of DM227bn, and rose DM6.80 to DM662.80 on the theory that the end to turnover tax, improving West Germany'e prospects as e capital market, would at least do the banking sector e bit of good. Ironically, it was Deutsche

Bank managing board member Mr Rolf Breuer who said that the tax repeal had helped Ger-man shares - "but only for balf an bour." Elsewbere, Metallgesellschaft rose DM19 to DM443 before its acquisition of the specialised engineer, Lenties.

Lentjes had originally been expected to come to the stock market before the end of the year, but these plans were apparently upset by the recent weakness of share prices. AMSTERDAM suffered from

lack of institutional intere in the absence of trading in most other European markets, and closed higher in very light turnover of Fl 474m.

The main feature was chemicals company DSM, which gained FI3 to FI 117.80 after reporting e better-than-expec-ted third-quarter profit of Fl 235m, up from Fl 144m in the same period last year. Otber chemicals were cations group, gained SKr10 to SKr220 in the day's most active

encouraged by the news, with

Akzo, which announces results Foday, np F12.20 at F1 138. Fokker, the aircraft maker, lost 40 cents to F139.60 after ABN, the bank, said on Tues-day that the company's convertible issue had not been successful

ZURICH tried to rise, but profit-taking in a thin market took the Credit Suisse index 3.7 lower to 599.9. Most of the country'e big banks have increased their medium-term increased their medium-term cash bond rates in the past few days; and the Swiss National Bank's Lombard rate was set at 8% per cent yesterday, up % of a percentage point. STOCKHOLM was encour-aged by Wall Street's overnight surge, finishing sharply higher, although trading was thin. The Affärsvärlden General index rose 13.4, or 1.1 per cent, to 1,217.4. Turnover shrank to SKr213m from SKr319m. SKr213m from SKr319m.

Ericsson, the telecommuni-

trading after news of a SK1300m order from Brazil HELSINKI eased in low turn-over, as Wärtsilä Marine, which saw bankruptcy proceedings opened and adjourned on Tuesday, continued to con-sume attention. The Unitas all share index fell 3.1 to 663.0. Wartslå Corporation stocks were not quoted before the government announcement that egreement and the been reached to form a new com-pany. Valmet and Union Bank of Finland, which are both involved in financing packages involved in financing packages for the shipbulkler, were tem-porarily suspended, before UBF free C shares closed unchanged at FM27 and Valmet restricted As gained FM0.5 to FM58.5. OSLO resped the benefit of a rise in Norway's North Sea off prices, with the all-share index up 8.53 at 482.28 in moderate trading worth NKr313.5m. COPENHAGEN was mixed to slightly higher in light trading, with banks leading gains.

with banks leading gains.

#### **FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackanzia in conjunction with the institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		TUE	DAY OCTO	28ER \$1 15			HONDAY	OCTOBIER :	30 1988		LLAR INDE	x
Figures in parentheses show number of stocks per grouping	Uê Dollar Index	Dey's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1996 High	1989 Low	Year ago (approx
Australia (85)	148.97	+0.7	139,96	128.67	+0.8	5.22	147.99	139.00	125.72	160.41	128.28	148.49
Austria (18)	149.42	+0.3	140.38	142.68	+0.5	1.70	148.93	139.88	142.17	172.22	92.84	94.99
Belgium (63)	137.46	+0.2	129.14	131.02	+0.2	4.22	137.13	128.80	130.70	144.49	125.58	129.46
Canada (122)	148.83	+0.8	139.83	126.52	+0.8	3.34	147.57	138.61	125.51	154.17	124.57	121.88
Denmark (36)	211.78	+0.9	198.98	205.59	+0.7	1.54	209.95	197.19	204.18	219.89	165.35	148.25
Finland (26)	124.27	+0.1	118.75	110.79	+0.1	2.55	124.18	116.61	110.64	159.18	123.12	128.70
France (126)	132.38	+0.7	124.38	129.74	+0.9	2.90	131.43	123.45	128.55	139.94	112.57	108.18
West Germany (97)	85.13	+0.1	89.37	91.05	+0.4	2.26	95.02	89.24	90.72	103.84	79.56	86.21
Hong Kong (48)	115.07	+ 1.7	108.11	115.38	+1.7	4.90	113.20	106.32	113.48	140.33	86.41	108.97
ireiand (17)	157.05	-0.8	147.55	153.35	-0.7	2.68	158.42	148,79	154.42	165.69	125.00	133.55
Italy (97)	87.21	+0.7	81.93	88.05	+1.1	2.60	86.59	81.33	87.08	96.73	74.97	83.63
Japan (455)	187.43	+0.2	176.10	169.07	+0.6	0.48	187.02	175.65	167,98	200.11	164.22	174.00
Malaysia (36)	192.87	+0.8	181.02	200.06	+0.9	2.65	191.08	179.47	198.21	209.22	143.35	138.93
Mexico (13)	301.85	+0.2	283.60	865.00	-0.1	0.00	901.99	283.07	865.65	326,81	153.32	158.52
Netherland (43)	125.58	+0.0	117.99	119.13	+0.3	4.45	125.52	117.89	118.79	131.72	110.63	110.19
New Zealand (19)	76.39	+ 1.3	71.77	68.90	+1.2	5.12	75.41	70.83	88.12	85.18	62.64	73.22
Norway (24)	167.13	+0.2	157.02	156.18	+0.2	1.66	156.85	156.71	155.81	198.39	139.92	120.00
Singaporo (28)	155.90	+2.0	146.47	140.53	+21	2.11	152.82	143.54	137.88	170.62	124.57	120.97
South Africa (60)	156.03	+12	146.60	135.68	+12	4.12	154.17	144.80	134.25	160.24	115.35	112.77
Spain (43)	159.32	+0.8	149.68	140.91	+0.7	3.71	158.03	148.43	139.95	169.75	143.14	149.98
Sweden (35)	171.01	-1.8	160.67	162.28	-14	211	173.74	153,18	164.54	168.94	138.45	130.82
Switzerland (64)	86.65	-0.2	81.41	86.73	+0.3	216	86.79	81.52	86.47	94.18	67.81	84.75
United Kingdom (306)	138.54	+1.4	130.18	130.18	+1.4	4.67	136.66	128.35	128.35	158.41	133.28	137.62
USA (546)	138.10	+ 1.5	129.83	138.19	+1.5	3.34	136.12	127.85	136.12	146.29	112.13	113.82
Europe (996)	122.52	+0.7	115.11	116.43	+0.9	3.60	121.62	114.23	115,41	132.95	112.63	114.08
Nordic (121)	165.14	-0.4	155.15	151.70	0.3	1.88	185.76	155.69	152.22	178.38	137.95	125.58
Pacific Basin (669)	183.12	+0.3	172.05	165.25	+0.7	0.72	182.63	171.53	164.14	194.72	160.44	170.25
Euro - Pacific (1665)	158.94	+0.4	149.33	145.73	+0.7	1.62	168.28	148.67	144.66	166.96	141.55	147.80
North America (668)	138.73	+1.5	130.34	137.47	+1.5	3.34	136.71	128.4D	135.47	146.66	112,79	114.23
Europe Ex. UK (690)	111.74	+0.3	104.98	107.91	+0.5	2.87	111.40	104.63	107.35	118.51	96.30	99.27
Pacific Ex. Japan (214)	131.38	+1.1	123.43	117.73	+ 1.1	4.81	129.97	122.07	116.40	140.05	111.98	125.16
Norld Ex. US (1860)	158.65	+0.4	149.06	145.23						166.35		
World Ex. UK (2100)	151.48	+0.7	142.32	144.06	+0.7 +1.0	1.70	157,96	148.36 141.24	144.15	156.04	141.49	146.55
	150.26	+0.8	141.18	142.80		2.01	150.38		142.70		136.98	133.55
World Ex. So. Af. (2346) World Ex. Japan (1951)	132.65	+12	124.63	129.24	+1.0 +1.2	2 <u>22</u> 8.50	149.10 131.09	140.04 123.12	141.40 127.65	155.92	136.67	134.02
The World Index (2406)	150.30	+0.8	141.21	142.75	+ 1.0	2.23	149.13	140.07	141.35	155.89	138.68	133.89

Latest prices were unavailable for this edition.

# **SmithKline Beckman Corporation**

has merged with

**Beecham Group p.l.c.** 

to form

### SmithKline Beecham

Morgan Guaranty acted as financial advisor to SmithKline Beckman Corporation

### JPMorgan

### JPMorgan

# SECTION III **FINANCIAL TIMES** SI RV/ French financial markets have had to face a process of

radical change and integration into a global framework. In addition, the

advent of the single market in 1992 is forcing financial institutions to adopt a more international outlook. George Graham reports.

# **Buffeted by the** winds of change

THE SUDDEN plunge that which is forcing French banks swept tha world's stock to cast their strategy in a exchanges last month sounded a note of warning to France's financial markets. Every mes-merised step the Paris Bourse took in the wake of Wall Street, pressed home the

reminder that the French financial markets have lost their autonomy. And it is not just within the markets that this dependence has become clear: the entire structure of France's financial services industry has come to be driven by forces from outside its frontiers.

The winds of change now blow strongest not from the Finance Ministry,but from Brussels, with the construction of the single European market, and from Basel, where the Bank for International Settle-ments is presiding over new capital adequacy ratios which are increasingly imposing the logic of profitability on banks around the world.

From Brussels come a stream of banking and finan-cial services directives with which French legislation must be aligned. Perhaps more recently acquired the UK group Toncha Remnant, or mergers and acquisitions. importantly, however, is the very idea of the single market, Potentially more ambitious



single market is forcing banks to cast their

# French Banking **Finance and Investment**

is Banque Indosnez's attempt to buy 24.8 per cent of Morgan Grenfell, tha City of London merchant bank. The big attraction for Indosuez here, is to boost its already considerable reputation in mergers and disitions as well as to build up its fund management activi-The practice of universal

hanking seems to us to be limited to the national territory. Wa don't plan to open branch networks in Germany or the UK, but to find niches," says Mr Marc Viénot, chairman of Société Générale, From Basel come the Cooke

ratios, e codex of prudential rules devised by a BIS committee chaired initially by Mr Peter Cooke, of the Bank of England, with the aim of harmonising bank snpervision

practices. These rules, by applying weightings to certain categories of asset and requir-ing banks to build up their cap-ital in accordance with these michtings hear and hearborn weightings, have led bankers to think much more analyti-cally about their different lines of business and to pay much more attention to the return on capital employed in each activ-"The Cooke ratios impose on

us a much higher rate of profit-ability than we have at pres-ent, in contradiction with the trend towards lower margins that has resulted from deregulation," says the chairman of one private sector bank. To the French government,

the Cooke ratios pose a particular problem: that of reinforc-ing the capital base of the state-owned banks without allowing them to sell equity in the stock market, forbidden by government dogma. For Ban-que Nationale de Paris (BNP) and Crédit Lyonnais, special if limited solutions hava been found. One example is Crédit Lyonnais' purchase of majority control of the finance activities of Thomson CSF, the leading electronics and defence company. In return, Thomson CSF is getting 14 per cent of the bank's equity via the issue of new shares for the purpose. This is a novel if artifical way of boosting Crédit Lyonnais' capital adequacy, though the bank link does have an indus-

trial logic for Thomson CSF. Crédit Industriel et Commercial (CIC) has been moved off the government's own hands to those of the Groupe des Assurances Nationales (GAN), an

insurer that although itself nationalised can solve CIC's affecting the state budget. But other banks have also

found that the tightening prudential constraints imposed by the Commission Bancaire, the bank supervisory body, are for-cing them to take radical action.

The most spectacular exam-ples have been the failures of four banks controlled by Mid-dle Eastern capital, such as Al Saudi Banque and Banque de Detticipations de Pleasers to Participations et Placements. Two other larger and more solid Middle Eastern banks, however – Union des Banques Arabes et Françaises (UBAF) and Banque Arabe et Internationale d'Investissement (BAII) - were also required by the Commission to strengthen sig-

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Homa banking; insuranca;	Ecu1.43819					
Bancassurance' - a naw buzzword 5	Editorial production: Roy Terry					

nificantly their had debt provisions. They did so by transfer-ring most of their risk loans off their own books into a separate company directly borne by their shareholders.

But not only the Middle Eastern banks have been obliged to raise their provisions: Banque Francaise du Commerce Extérieur, in the past the principal channel for trade finance, faces the same demand. The mutual and co-operative

banks, too, are busy consolidating their positions in the face Ing their positions in the lace of the new capital adequacy requirements. Mr Philippe Jaffré, chief executive of the Crédit Agricole, notes among the 91 regional banks which make up his group, two merged in 1988, and others are due to merge at the end of this

For the banking industry as a whole, the need to boost capital and profits plays against the background of an almost saturated market - 99.3 per cent of all French adults already have an account with a bank or with a savings bank, and 95 per cent bave cheque accounts - where, to maintain profitability, banks must con-tinually trim operating expenses and staff while simul-taneously expanding production\_

This need has driven tha recent development of closer links between banks and insurance companies, although the idea of "bancassurance" is far from unanimously applauded in either profession. Straight-forward life insurance policies, to all intents and purposes, substitutes for other savings products, have been sold with great success over the bank counter, but accident insurance is not something you can sell and forget: it depends on the after-sales service.

The divergence of views is demonstrated by the different tactics of France's two leading investment banking groups, Paribas and Suez. Where Suez this summer took full control of Victoire, one of the leading insurers in France in which it has long had a substantial interest, Paribas, in its bid for the Navigation Mixte conglom-

erate, is happy to leave its tar-get's substantial insurance interests to West Germany's Allianz.

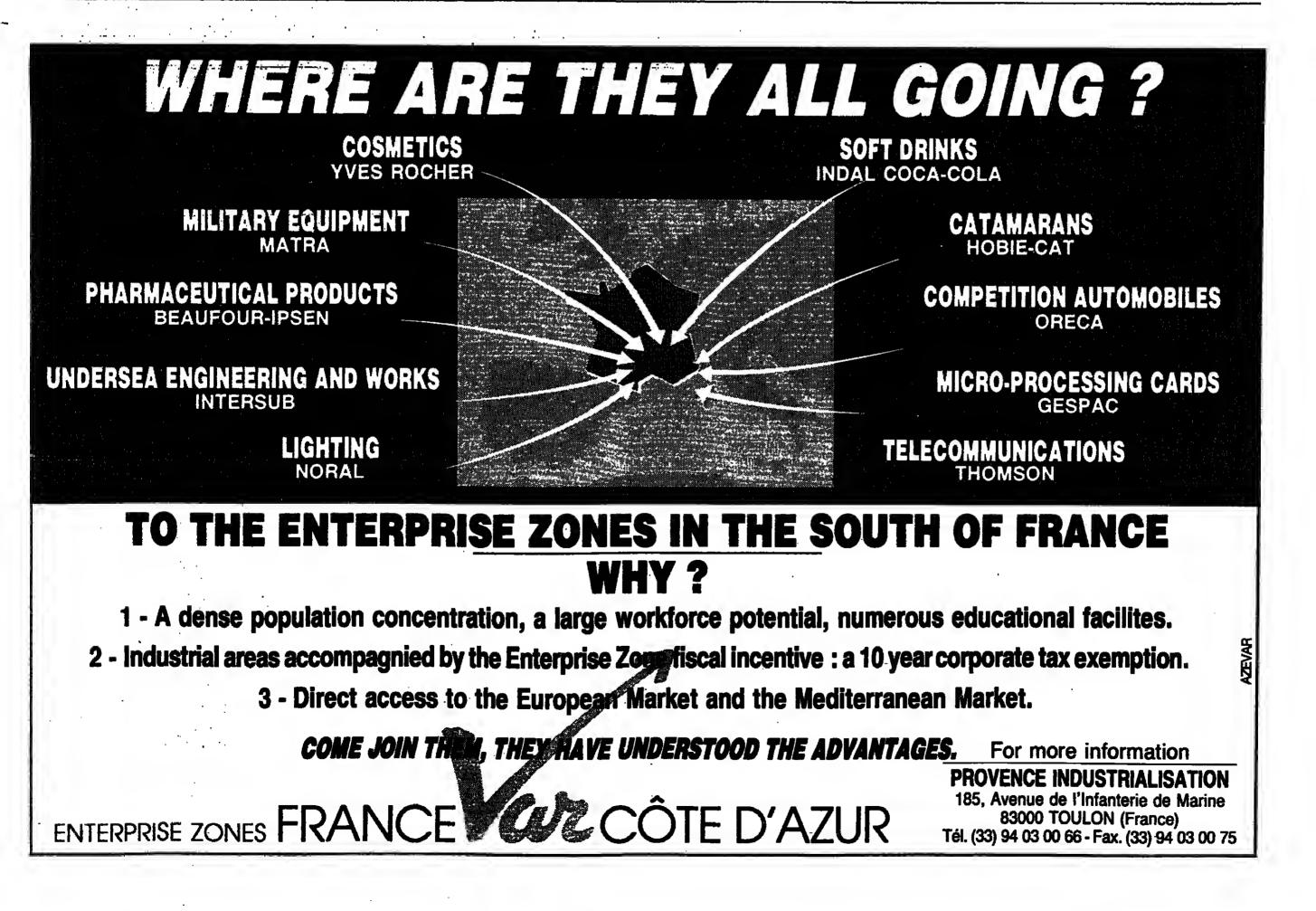
While banks and insurance companies have taken a very active approach to the problems that face them, and have carried out between them a radical restructuring of France's financial services sector, the government, once the driving force behind financial market reform, now appears to be in the back seat. Mr Pierre Bérégovoy, the Finance Minister, was personally responsible, in his first period in office in 1984-86, for launching a tide of modernisetion. Since his return to the finance ministry in 1988, however, his reformist zeal appears to have died away: perhaps because so much has already been done, and the competitive sector has taken up the running, but perhaps also because, consumerist at heart, he has begun to reach the limits of what he can change without affecting the interests of his constituent

If Mr Bérégovoy has taken away Crédit Agricole's monop-oly on the distribution of subsidised loans to farmers, he seems to be reluctant to take away the privilege of tax-free savings booklets from the savings banks and Crédits Mutuels - one of the permanent complaints of the mainstream commercial banks.

On the question of current accounts, too, he seems to be happier with the status quo, where interest payments on cbeque accounta are banned but no charges are levied, than with the idea of clearing away both bans at the same time, In the financial markets, this

reluctance seems to go further, with the excesses of the 1987 stock market crasb and its lesser emuletor last month prompting an interest in re-regulation.

The process of change and of integration into a global marketplace, however, has gone too far to be reversible. The creation of the single European market has opened up France to outside competitors, and the only true disci-pline has become the inexora-ble rule of profitability.



larger European mould. Not all French bankers are agreed on how to approach this problem. A few have set about building np European net-works through the acquisition of commercial banks wherever they can. Crédit Lyonnais, the second largest state-owned bank, has been the prime expo-nent of this approach, buying up banks in Belgium and the Netherlands and recently acquiring control of Credito Bergamasco in Italy. Crédit

Agricole, too, has recently acquired a 13 per cent stake in Nuovo Banco Ambrosiano, in Italy, and is planning alliances with similar mutualist banks

in other European countries. Others, like the two priva-tised banks Société Générale and Crédit Commercial de France (CCF), have limited their retail banking ambitions to their home territories. Abroad; they have selected certain niche markets - fund management; for example, a field in which Société Générale

George Graham on plans to reform the financial markets

# **Taste for regulation revived**

FRANCE'S financial markets breathed a collective sigh of relief in May last year on dis-covering that the new Finance Minister, following the return of the socialists to office, would be their old friend Mr Pierre

n

Bérégovoy. It was Mr Bérégovoy, in his last spell at the Finance Ministry between 1984 and 1986, who first launched Paris on its path of rapid financial modernisation. With his chief adviser, Mr Jean-Charles Naouri, and with Mr Daniel Lebègue, the director of the Treasury, the minister embarked on a far-reaching programme of reforms: starting to prome credit and exchange controls, trimming the highly segmented and often subsidised credit circuits that had built up to finance every spe-cific sector of the economy, and creating new markets such as commercial paper and finan-cial futures.

When the liberal Mr Edouard Balladur succeeded Mr Bérégovoy at the Finance Ministry in 1986, on the election of the right-wing government of Mr Jacques Chirac, he was irritated by the frequent comment that he was merely following in the footsteps of his socialist

Mr Bérégovoy, likewise, was annoyed when he replaced Mr Balladur again in 1988 to find the same remark levelled at himself - and with some justification, for though the remark accurately reflects the continnity in monetary policy, on the questioo of financial market reform Bérégovoy Mark 2 appears to be considerably more cautious than Bérégovoy Mark 1. Besides a new law permit-

ting banks to securitise their loans, now coming into effect, there has been little of the innovation of 1984-86.

On the one hand are the constraints of the European single market. France is obliged to circumscribe its own changes in financial market regulation within the EC directives, such as the harmonisation of mutual fund legislation, and this has on occasions given rise to the impression that the French government was marking time walting for the Commission to make up its mind. On the other hand, much of

the initiative for change and innovation has passed into the hands of the banks and finan-



Pierre Bérégovoy: financial markets breathed a sigh of relief at his

cial services companies in the competitive sector. Where the interview earlier this year. "I want to put the French on first Paris financial futures market, the Matif, was the brainchild of the finance ministheir guard against this take-over mania, against this gang-sterism, the law of the stron-gest," Mr Mitterrand said. "I try, the second, OMF, was a private sector venture backed by a Swedish specialist in elec-tronic banks and a consortium of French banks, launched to the furious opposition of the Matif

But there are also signs that Mr Bérégovoy's taste for regu-lation has been reawakened.

The October 1987 stock mar-ket crash, and the wave of takeovers that followed it, inspired second thoughts about the quality of the stock market's judgment; the takeover of Télémécanique, the electrical

#### Bérégovoy Mark 2 appears to be considerably more cautious than Bérégovoy Mark 1

equipment manufacturer which had been a ploneer of employee participation, was particularly important in

arousing fears of raiders. At the same time, a series of insider trading investigations - Pechiney, Société Générale, LVMH - launched by the Commission des Opérations de Bourse (COB), the French market regulator, reinforced a widespread impression that most financiers were not only predatory but also immoral. The message was rammed home by President François

ers, the heads of companies, French entrepreneurs from this roving, predatory money which grabs everything without effort." Mr Bérégovoy has always been a faithful follower of the Mitterrand line, and he was not slow to pick up on this evocative theme, turning it into reality with legislation to strengthen the COB's powers

Mitterrand in a television

want to protect French produc-

and to regulate takeovers. Even on the takeover rules, however, which introduce for the first time the obligation for an investor who builds up a stake of more than a third of a listed company's capital to make a full bid for at least another third of the capital, the finance ministry has been reticent. The law put before parliament included only the broad outlines; the details, including the threshold at which a bid must be launched, were left to the stock exchange to include in its own rulebook.

Where Mr Bérégovoy has been most active, however, in upholding the doctrine known in France as "ni ..., ni ...", derived from Mr Mitterrand's election campaign pledge that there should be "neither (ni) privatisation, nor (ni) renation lisation".

and the second sec

Many of the banks in the French state sector are in need of capital if they are to be able to maintain their expansion while still complying with international capital adequacy ratios, and if they are to be able to pay for acquisitions, especially in building up their

Buropean networks, Unable to raise straightfor-ward equity in the stock market, however, they have had to resort to a variety of tech-niques - either complicated semi-equity securities such as perpetual capital notes, or arrangements with other groups within the state sector. such as the Caisse des Dépots taking a 6 per cent stake in Crédit Lyonnais or the Union des Assurances de Paris exchanging 10 per cent share stakes with Banque Nationale de Paris.

Critice of the government point out that the dogma of "ni...ni..." reflects more a general immobility than any strongly directed policy. It may be, however, that the

structures of the French econ-omy have evolved, partly under Mr Bérégovoy's impul-sion, to the point that the financial markets have taken their fate into their own hands, rather than waiting for the finance ministry to decide matters for them. As Mr Bérégovoy himself

said last month (OCI): "After a long vegetation on the fringes of our economy, our financial market, profoundly trans-formed by the spirit of innova-tion and competition, has become integrated into the international capital market. This revival, recent and rapid as it has been, is beneficial, for it allows the stock market to rediscover its raison d'être."

14.

THE approach of 1992 is beginning to make its mark on the fringes of the French banking scene: the question is ing scene: the question is whather the single market will have a more profound effect on the financial services industry as a whole, given the growing links between its various arms, for example, banking and transforme insurânce.

The big Franch commercial banks all believe in the need for international expansion and closer co-operation with entitles in foreign markets. Their enthusiasm owes much to the fact they were late starters on the international scene, and want to strengthen their weak presence abroad. But, at the same time, the near saturation of the French banking market means future growth must come elsewhere. How-

ever, the banks have adopted quite individual strategies. Crédit Lyonnais, for exam-ple, has set itself the goal of building up an extensive net-work of branches around Furnic and has superied at a Europe, and has appeared as a potential bidder in most banking businesses that have come up for sale. It has bought banks in Belgium, the Nether-lands and Italy, and is believed to have looked at banks in the

Société Générale, by con-trast, has said it does not want to develop a pan-European commercial banking business. Instead, Mr Marc Viénot, the chairman, says it has identified specific areas such as fund management where it thinks it can gain a competitive advan-tage. Its acquisition of the Touche Remnant fund management company fell into that pattern. It has also taken over control of Strauss Turnbull,

the London brokers. Banque Nationale de Paris is trying yet another approach: it recently put together an intriguing branch swap deal with Banco Bilbao Viscaya minder which it traded an 85branch subsidiary in France for a similar number of branches in Spain. Orédit Commercial de France

has also taken the specialis approach: its international expansion route is to be on the investment banking side, particularly in corporate finance and securities. It now has an emerging network in the major European countries, centred principally on Laurence Prust, its London-based investment banking arm.

The two largest investment banking groups, Banque Indo-sides and Paribas, are also deeply involved, both in their role as dealmakers, and through their international ambitions. Already, both

### **EXPANSION STRATEGIES**

All eyes are on foreign markets culty for foreign banks seeking entry is in identifying opportu-

groups are linked into complex webs of cross-shareholdings which, in some people's view, contain the makings of future pan-European operations. In a recent study, Shearson Leb-man Hutton, described them as "constellations" in the restructuring of European hanking business. finance

However Mr Michel Franmerchant banking group, whose acquisition of leading cols-Poncet, the chairman of Paribas, denies that there is anything as explicitly inten-tional. "We have no strategy, brokers Bacot Allain has put them in a strong position in the securities markets, and, increasingly, in corporate no philosophy, no concepts," he says. "We are pragmatists, finance Swiss Bank Corporation entered the merchant banking

Nonetheless, Paribas is eadily expanding its foreign



Michel Francols-Poncet

market by buying a small private bank, Banque Stern, ence. The same is true of Indosnez, whose parent, Groupe Snez, recently made which specialises in services to small and medium-sized commajor international strides with its acquisition of Société panies. The bank will be linked in to the European investment banking network being built Générale de Belgique, and the Gronpe Victoire insurance company which brought with up by SBC, with a London base, according to chief execu-tive, Mr Jacques-Henri David. it large operations in Germany. Mr Phillipe Geslin, Indo-Whenever other small banks have become available, they,

suer's joint managing director, says the bank's main growth will now come in Europe to counterbalance its traditional strength in the Far East and Asia. The bank's major move is an agreement to acquire 25 per-cent of Morgan Grenfell, the merchant bank, substantially bolstering its London presence. In the inward direction, there has also been plenty of movement. As one of Europe's largest and strongest markets - and one which is shaking off

**Marc Vlénot** 

PERNOD RICARD

BOUYGUES

banking groups where they may become snperfluous, France is attracting keen for-eign interest, though the diffi-

Smallest of the big banks, pri-vatised three years ago. One of the banks on the acquisition trail for 1992 is National Westminster, the sec-

FINANCIAL TIMES THURSDAY NOVEMBER 2 1989

National Vestiminet, Nat. West bought five branches off Banque de l'Union Européne (BUE) last year, bringing its total to 12. Natwest has since rationalised two branches and now has 10 branches. But it is eager to expand further (both The deregulation of the stock Barclays and Midland are exchange gave several foreign banks the chance to enter the much more strongly represented), and is looking at a wide range of markets, from personal and corporate banksecurities business and lay the foundation of an investment ing, to leasing and insurance broking, says Mr Robert Alle-mon, vice-chairman and gen-eral manager NatWest Bank Among the most successful has been S.G. Warburg, the UK

group, is frequently mentioned. A larger takeover candidate in the long run might be CCF, the

NA: NatWest also bought Sellier, a medium-sized local stockbro-ker specialising in the institu-tional equities business, which it is tying in with County Nat-West, its international invest-ment banking arm.

Bankers expect to see the steady flow of acquisitions continue. For example, neither Dentsche Bank nor Union Bank of Switzerland, respec-tively Germany's and Switzer-land's largest banks, have a significant presence in France - a gap which both are keen to correct. There is conspicuonaly less movement from the Americans who are either deeply entrenched, like Morgan Guaranty, or recevaluating their European strategies. The Japanese are growing strongly,

Japanese are growing success, as they are everywhere. Although the Second Bank-ing Directive which lays the foundation for the single manket in banking, presents no particular problems for the French, the banks are worried that they could suffer competi-tively from the French government's tough approach to tax

matters. Mr Dóminique Chatillon, chairman of the Association Française des Banques, says the government may require banks to supply it with tax information about their clients. "This would be harmful to our image, our cost and our com-petitive position," he says... Although foreign banks oper-ating in France would be subject to the same regime, other banks would be able to offer their services from abroad and draw away business. However, the banks hope that the next budget will contain conces-sions which will reduce the fiscal disadvantages of the French market.

**David Lascelles** 

WE'VE JUST

bankers expect to see a con-tinuing stream of sales. Crédit du Nord, part of the Paribas

too, have been quickly snapped up, such as Banque Louis Dreyfus (by Banque Bruxelles

Lambert), Banque NSM (by

ABN), Banque Vernes (by San Paolo di Torino), CGIB (Caixa

de Depositos) and Banque Internationale de Placements

(Dresdner Bank). Since many of the smaller banks belong to the larger

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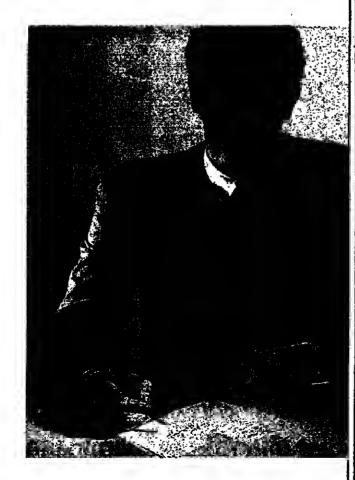
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THE PARIS TRADED OPTIONS MARKET

David Lascelles investigates banking supervision

# **Pressures mount on Big Three**

French bank capital npagnie Bance **Gredit Lyonnais**\* Paribas (Group)\* ciété Générale<sup>4</sup> French average (five banks) Swiss average Japanese average

UK sverage Irish sverace Spanish average German average

says. The fact, however, is that the country's Big Three, Ban-que Nationale de Paris, Crédit per cent. Lyonnais and Société Générale, appear to be lagging behind Crédit Lyonnais also obtained a FFr1.5bn capital their rivals. All were estimated by analysts to be in the 7-8 per subscription (equivalent to 6 per cent) from the state-owned Caisse des Dépôts et des Con-signations, and a subsequent share swap with Thomson cent range in the early part of this year, while smaller banking groups such as Compagnie Bancaire, Paribas and CCF were comfortably ahead of the The pressures on the Big Three were also likely to grow,

WITH corporate customers, it is still a hard struggle to make money on the traditional banker's business of landing more dearly than you borrow; and the race is still on for

French commercial hanks to build up the level of their commission earnings in the speci-alised fields of corporate finance previously reserved for investment banks. For years, French banks had Nord.

tele a suege 

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implementation of the Basle

agreement on capital ade-

quacy. But, unlike most other industrial countries, this is in

part a political question

because of the size of the

state-owned banking sector.

the country's major banks are

progressing towards the inter-

by 1992.

requirements.

nationally agreed capital ratios

An official there says only

that "on average" French banks are on target, with 10-15 banks below it. But he adds that he is confident they will

all meet the minimum 8 per cent risk asset ratio on time. "I

am not worried at all about the

strength of French banks," he

The Commission Bancaire,

seen their corporate loan books suffer as companies turned away from straightforward bank credits towards securities issues. Between 1982 and 1986. securities issnes had tripled their share of total funding from 26 per cent to 74 per cent. In 1987, the tide turned sharply, and the trend towards

re-intermediation has continued since then, with banks becoming once again the prin-cipal source of finance for French industry. In the first half of this year,

for example, corporate lending at Banque Nationale de Paris rose by 15 per cent. Paribas. the investment hanking group with a largely corporate client base, saw total lending rise 21 per cent in the same period.

AS IN most industrial analysts said, because they countries, one of the main pre-occupations of the banking their new capital requirements authorities in France is the exclusively from retained carnmes. Among them, Société Génér-

ale, the only one in the private sector, will be able to supple-ment earnings with a rights issue if need be, in addition to obtaining fresh equity from conversion of existing bonds

the independent agency which supervises the banking system, declines to say in detail how and warrants. Given President Mitterand's pledge to neither privatise nor nationalise any more companies, the answer for the other two will lie in less conventional methods, probably further issues of non-voting stock. though there is a 25 per cent

ceiling to that. A further possibility is a deal involving another state-owned agency, such as this year'e enchange of 10 per cent stakes between BNP and Union des Assurances Parisiennes, the large state-owned insurance

company, which effectively increased BNP's capital by 10

CSF, the state-owned defence group, brought it a further FFr 5bn, giving a big boost to its ratios. In another deal, the troubled CIC bank got an

But companies are demanding very tight conditions, and the margin between the inter-est rate on the loan and the cost of funds for the bank is still declining. "I have been losing 50 basis

points of interest margin every year for the last three years," complains Mr Bruno de Maulde, chairman of Crédit du

The result is that, even though their corporate lending volumes are increasing again, French banks are still eager to develop as much as possible in areas that are less dependent on interest rate movements.

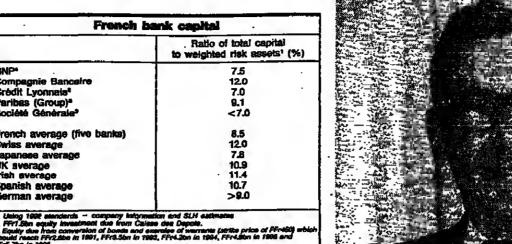
The development has not always been smooth, at least in terms of earnings. Last year, for example, all the leading French retail banks saw their commission earnings on stock market transactions slump from the exceptionally high level of 1987, when they were swept on by the wave of privatisations.

French banks have also run into the same difficulties as many of their international competitors in their forays into stockbroking. All the big three French commercial banks

Banque Nationale de Paris, Crédit Lyonnais and Société

Crédit Lyonnais and Société Générale – lost money on their London securitiea operations last year, though the palm goes to Crédit Lyon-nais with its FFr603m loss at Alexanders Laing and Cruick-shank, its London broking sub-sidiary. ALC still lost FFr64m in the first helf of 1090 but this in the first half of 1989, but this was already substantially less than in the same period of 1988, and Mr Jean-Yvea Haberer, the bank's chairman, says thet the operation is turn-ing round faster than expected. One of the most keenly stud-ied sectors over the past year has been the field of mergers and acquisitions. It has

attracted considerable attention from the commercial banks in their search for ways of diversifying their sources of earnings and turning a profit from their corporate client



FFr5.2bn is 1995 4. FFr1.5 is FFr2bn of equility due by year and 1959 dae is "repprochament" with the government-owned leaster UAP. 5. As much as FFr4.5bn doe to recest conversion of warrants. Source: Shearson Lehman Hutton Se

increased shareholding from The capital problems of the GAN, the state insurer. There is no way under French law that banks can state-owned banks are becoming a tighter constraint now that capital adequacy is being stressed at precisely the moment when banks are feelissue preferred stock - a route heavily used by UK and US hanks - though a Commission ing the effects of keener com-

official says the regulations could be changed to permit it. petition. "My personal feeling is that

lists. The field is still very much dominated by the older special-

ists. Lazard Frères is still the standard to which all the oth-

ers refer in M&A, with some other discreet family partner-

shins like Messrs Worms et Cle

the government will eventually he obliged to accept that nationalised banks will have to take in private funds," says Mr Dominique Chatillon, president of the Association Française

now feature as advisers in a

growing number of deals. According to PF Publica-

tions, a specialist publisher,

banking, and particularly in French regulatory constraints which be argues are holding it back. Here, the inability of banks to pay interest on current accounts which, in turn, prevents them from levying customer charges, is a long-run-

tor to develop its business as an adviser. "We are no longer just an stakes, we are becoming a mer-chant bank," says Mr Lucien Dauroux, the company's chair-

man. The marriage of equity perticipations with corporate finance advice, traditionally one of the points which distinguished the French "banque d'affaires" from the British merchant bank, plays an important role in many instances. Not many commer-cial banks find they can com-mand the same fees as Lazard or Paribas, and in calculating the profitability of their M&A activities they are often obliged to take into account the capital gains on the stakes they take in the company they

Some of the older specialists find the inroads of the commer-cial banks have reduced fee levels on some operations below the break-even point, both in M&A and in the field of new issues. "If the large retail banks are

forced to pay interest to their customers on current accounts,

have been four smaller res

cues, also of Arab banks. Although the Banque de France has specific powers under French banking law to oblige banks to back bail-outs, the incident caused some anger, particularly among the foreign banking community which felt it was being asked to pay for the errors of others. But the Commission Bancaire says French banks specifically wanted a solution which kept Al Saudi Banque alive, and though there was grumbling, no bank actually refused to make its contribution.

The incident had a mixed impact on Paris's reputation as a financial centre. Some foreign bankers commented that the enforced contribution showed that it was better to deal with the French market from abroad.

But others saw it as a demonstration of the French authorities' determination to serve order in the French banking system.

Mr Robert Allemon, the chairman of the foreign bankers association, save his members felt they were being dis-criminated against, and he has initiated discussions with the authorities to get the basis of contributions changed. However, he stresses that foreign banks favour "private" solntions to bank crises, rather than the creation of an insurance fund.

that could force them to pay more attention to their profit-ability elsewhere. That could mean better remuneration for mean better remuneration for us," says Mr Michel François-Poncet, chairman of Paribas.

"French bankers are some-times less demanding than their Anglo-Saxon competitors in terms of remuneration. There is often an inadequate appreciation of the risks involved," adds Mr Philippe Geslin, join managing director

of Indosuez. All the same, the M&A market appears likely to remain buoyant for some time to come, even if there are far more buyers than sellers. "The market is in full expan-

sion and will continue to be so for several years for at least two reasons: one is the European dynamic, with frontiers falling and companies regroup-ing on their core activities, and the other is the fact that companies now have the financial resources to carry out this expansion," concludes Mr Jac-ques-Henri David, chairman of Banqne Stern, a specialist investment bank now controlled by Swiss Bank Corporation.

#### its credit, followed a long wa behind by Indosnez with FFr25.9bn. In number of deals, also prominent, and the two its own merchant banking main all-round investment activities, leading, for example, are advising banks, Banque Paribas and Banque Indosnez, highly Lazard, with 43, ranked second behind Paribas, with 49. the buy-out of Veritas, the international specialist in certification and security checking. Union d'Etudes et d'Investis-The French M&A market is placed But the commercial banks. still relatively narrow, so that or their merchant banking subthe figures can still easily be sements, the equity investment arm of the Crédit Agricole, sidiaries, have made considerthrown out by one or two large able progress, and the BNP's subsidiary Banexi, Crédit acquisitions. The presence of Wasserstein Perella, the New plans similarly to take sdvan-tage of its portfolio of holdings Lyonnais, Société Générale and Crédit Commercial de France York M&A specialist, in third place by value does not reflect

Bankers also complain about unfair competition from the

mntual savings banks who have privileged access to the cheapest funds on the market. There has, however, been a trade-off for the banks in the government's willingness to see a large portion of pre-tax profits being applied to provi-sions, particularly against Third World loans. At the end of last year, the banks had already provided against 40-45 per cent of these loans, according to the Commission Ban-

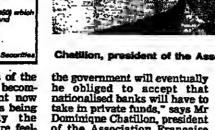
caire. The level was much higher at the large banks, in the 50-60 per cent range. These will continue to rise beyond 60 per cent. Although this is in line with other Continental banks, it far exceeds the 48-50 per cent set by UK banks, and 25-30 per cent most leading US banks.

CCF also embarked on a new route by hiving its Third World loans off into a separate work out subsidiary, but this route has yet to be followed by oth-

banking system has also been a sharper issue in the wake of last year's Al Sandi Banque affair in which the Arab-owned bank had to be rescued. This was done through a bail-out organised by the Banque de France to which all other banks in France were forced to contribute. Since then there



Chatilion, president of the Association Française des Banqu



des Banques. He believes the focus on cap-ital strength will also heighten

issues of profitability in French

a strong presence in the French market but a single

cross-border deal, Pechiney's acquisition of American

#### Lazard was the top ranked adviser in 1988, with deals Nstional Can. Even without the big headworth a total of FFr55.7bn to line deals, however, the market is bnoyant and is progressively opening to a wider circle of French banks have run into the same participants. difficuities as many of their international competitors in their forays into stockbroking

Banque Française dn Com-merce Extérieur (BFCE), the foreign trade bank, for exam-ple, has built on its wide list of corporate customers to develop

and its specialist position in the food and agricultural sec-

George Graham on problems in the investment banking market Corporate loan books grow

# HIV-MA

ning grievance.

ers.

The strength of the French

# FINANCIAL TIMES THURSDAY NOVEMBER 2 1989



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David Lascelles investigates increasing competition in consumer banking

# A love-hate relationship with customers

"INDIVIDUALLY, people like their banks, but generally there is anti-bank feeling consumerist hostility.

IV

Thus does Mr Michel Pébereau, the chairman of Crédit Commercial de France. describe the uneasy relationship that exists between banks and the retail customers in France. On the one hand, the French embrace banking services to the point where they are one of the most highly banked nations in Europe more than 90 per cent of all adults have accounts. On the other, consumers view with the greatest suspicion any attempt by banks to charge more for their services, as they tried to do with disastrous

results two years ago. In spite of the considerable strides which French banks have made in improving their services and introducing new ones such as electronic bank-ing and credit cards, the ques-tion of bank charges, and all the implications that flow from it, has become one of the central issues shaping the growth of retail banking. As bankers describe it, the

problem stems from legislation which probibits the payment of interest on current accounts. The fact that banks enjoy "free" current account balances means, they cannot charge for current account ser-

"It will be extremely difficult, in our opinion, to change this situation because people are so sensitive to it," says Mr Dominique Chatillon, the chairman of the Association Française des Banques.

The position is aggravated by the fact that the French paper-based payments system is exceedingly costly to run. Yet so long as people get their current account services free, there is no incentive for them to use other services, particu-larly since the alternative -credit cards - does involve

Mr Pébereau points out this irony here: "The old-fashioned techniques are free and the new are charged, therefore the old is holding back the new." This contributes to the pres-sures on profitability which he ranks among his main concerns

The banks do not expect any major change because of the obvious political obstacles in



André Levy-Lang: trend towards specialisation will co

#### **Consumer lending**

F Fr billion 2,000;

both sides

Tota 1.500 1.000 500 Short term 0 1986 1986 Source: Banque de France 1982 1984

the way of abolishing the usury law. It is also believed law. The result of this impasse is that banks have devised all sorts of ingenious, but costly, that the banking authorities are against change because they fear that a liberalised, ways of effectively paying competitive regime would oblige banks to pay interest on interest on current accounts by, for example, combining current accounts to retain balvings and current accounts. inces, but prevent them from They have also learnt to recoup charges by maximising the "float" of payments in tran-sit. Many bankers, in fact, levying charges for fear of driving customers away. Banks would therefore be squeezed on believe that these bypass arrangements will become so institutionalised that the exis-tence of the usury law will cease to be an issue. Another fear is that after 1992, foreign banks will be able

to use the single market to offer liberalised accounts which French banks will not be able to match. But the view The French consumer bank-ing market is notable for the of the AFB is that this is not a many different types of banks - often operating according to different tax and regulatory threat because foreign banks operating in France will still have to respect the local bank regimes - which compete

Leading banks - 1988 Bank Capital (\$m) Assets (\$m) Profit (\$m) Staf **Crédit Agricole** 8,740 5,567 214,382 196,955 73,938 852 58,595 ule de Park 876 5,409 5,324 4,874 4,372 68,151 26,000 178,878 121,617 Crédit Lyonnais 811 n.s.\* 863 715 Société Générale 145,661 150,253 45,462 n.s. Group Ecureuil pe des Banques Pop ompagnie Banceire 11.4. 8,003 2,143 2,000 1,539 1,509 1,310 568 548 400 267 257 257 257 221 199 191 56,124 n.a. 358 241 255 134 255 134 120 -423 7 63 34 13 30,737 48,156 63,021 38,515 6,897 13,401 21,118 7,465 7,164 10,192 38,281 6,373 2,604 inque Indosue 13,054 CIC Group 27.000 27,000 12,500 2,106 1,100 11,452 208 1,155 1,953 2,612 rédit Comm de France Sovac Al Ubat Banking Group Crédit du Nord arisienne Resso we Fed du Credit que Wa n.a. n.a. n.a. Eurobani de Sanque The 177

against each other: the com-

is already the same size as Société Générale's. \_ At Crédisuez, Mr Philippe mercial banks, the mutual savings banks, the popular banks and giant confederate banks such as Crédit Agricole, Differences among them also Pontet, executive chairman, describes his strategy as one of "hyperspecialisatiou" and

cause aggravations. For example, the commercial banks resent the tax-privileged status of the mutual savings banks who are able to take in deposits at what other banks con-sider to be highly uncompetitive rates.

However, the credit con-straints under which banks lived for many years until the corset was lifted three years ago prevented them from expanding many key areas of the consumer market, particu-larly mortgages and personal loans. This opened up the market for specialist firms such as Compagnie Bancaire and Cré-disuez, respectively, offshoots of the Paribas and Suez groups, Operating with few branches

but with centralised marketing and management, both have attacked the personal lending market, and branched out into areas such as factoring, leas-ing, fund management and life insurance. They have also begun to export their services. Mr André Lévy-Lang, the chairman of Compagnie Ban-caire, predicts that the trend towards greater specialisation in the market will continue as the financial services sector becomes progressively more liberalised. He points out that his company's mortgage book

already bear in their credit card and transaction accounts this can only squeeze even more the - by international standards - low margins low margins which French banks earn on stresses the role of innovation: for example his group was one of the first to introduce the their consumer business. The irony of all this is that even though the French tend to dis-

In spite of the strides which French banks have made in improving services, the question of bank charges has become one of the central issues shaping the growth of retail banking

like their banks, they actually variable rate mortgage into France's traditionally fixed get quite good value out of them. In a recent study of the rate home losn market. However, the big banks are now hitting back at the special-ists, using their powerful store of cheep funds to price loans extremely aggressively, pro-voking accusations of dumping French banking scene, Shear-son Lehman Hutton com-mented: "The Frènch chizen, we believe, is better served by his bank with respect to the price of certain financial ser-Civen the heavy costs they from riv

vices than his counterpart in other western countries." George Graham discusses the introduction of smart cards

# **Technical problems slow** down extension plans

FRANCE'S banks have reaffirmed their commitment to the introduction of smart cards, equipped with memory chips, throughout the country as the standard payment card, by the soul of 1991. by the end of 1991.

Already, some 2m of the 18m cards in issue are smart cards, mostly in the regions of Brit-

consortium was taken to task a year ago by the French compe-tition council for the way it calculates charges. Although the consortium has made some modifications' to the charging structure, fr has failed to win approval from the competition council. The case is due to be

decided by the appeals court

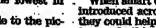
A number of banks are now

increasing the annual fee lev-ied on cardholders — a move they tried to make last year, but had to give up in the face of fierce moral pressure from the finance ministry - but the commissions paid by retailers are still among the lowest in

per cent ... When amart cards are finally introduced across the country, they could help the consortium

One brighter side to the nic-

0.12 per cent of card payments - excluding withdrawals from bank automated tellers -- from 0.2 per cent in 1967, but the consortium is still aiming to reduce further to around 0.07



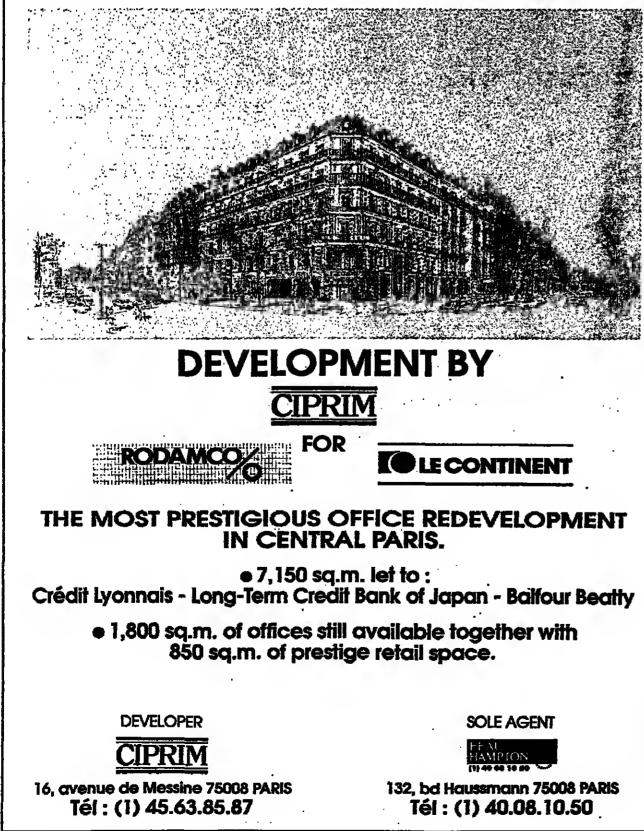


New emert card with a memory chip in the top le



FINANCIAL TIMES THURSDAY NOVEMBER 2 1989





Alpes, and the programme is to be extended progressively to the rest of France. But all is not well with the

smart card programme. The extension of the cards has gone slower than at first hoped, technical problems have hit some areas, and some banks have started to coutest the technical choices made. Eurocard network. It is there-fore absurd, they say, to accuse the banks of acting as a cartel. "The cost of issuing and han-ding a card is clearly the same for everyone, but the competi-tion council wants us to have different prices. They tell us that we are behaving as a car-tel if we have a single price, but the cartel was organised by the state," complains one banker.

The most serious incident struck this summer on the Cote d'Azur, where around 100,000 cardholders found that the chip in their smart cards had been burnt out by surges of electric current in come of electric current in some designs of shopkeepers' termi-nals, which are now being modified. This did not, in fact, cause any problems to custom-ers, because their cards still have, in addition to their chips, have, in addition to their chips, the same magnetic stripes as ordinary cards, and these stripes still functioned per-fectly. Nevertheless, the inci-dent caused a good deal of panic among cardholders who feared that they might be left stranded and unable to use their cards. their cards.

More serious for the future of the card system in France,

On the Cote d'Azur, around 100,000 people found the chip in their cards burnt out by surges of current in some terminals

run by a single consortium which ensures mutual compati-bility for all issuing banks, is economic structure. Organisationally, the

national consortium supplies one of the best services in the world, notably the principle of mutual compatibility. Unfortuminual comparishing. Comparishing, Comparishing, and the economic level, the system is totally cata-strophic," says one leading commercial banker. "This is the only country in the world where credit cards lose money.

money." Mr Raoul Bellanger, the for-mer head of the bank card con-sortium, estimates that total income from cardholdars' sub-scriptions and from commis-stons paid by sales outlets amounts to some FFr3m, well short of the FFr4m it costs the having to isome cards hardia banks to issue cards, handle iransactions, write off their investments and absorb the cost of frand. His successor, Mr Max Auriol, asks: "Do card users realize what the real cost is,

and are they ready to pay their fair share?" The problem seems unlikely to get better. The bank card later this month. Bankers argue that it was the government which obliged the Carte Bleue grouping, including most commercial banks issuing Visa cards in France, to merge in 1964 with the two major mutualist banks, Credit Agricole and Credit Mutuel, associated with the Eurocard network. It is there-Credit card fraud, which had been rising as cards became more widespread, took a downturn last year for the first time Eurocard network. It is there-

> ture is that credit card fraud, which had been rising steadily as cards became more wide-spread in France and had risen spread in France and had risen by 50 per cent in 1987, took a downturn last year for the first time. The volume of payments made by card rose by 60 per cent in 1988 to FF72740n, but the level of frand fell by 9 per cent of FF720m cent to FFr320m.

Frand losses thus dropped to

they will also be more expen-sive to issue than the standard magnetic stripe card. One of their principal advan-tages is that the built-in chip allows the user's secret identi-fication code to be checked by an algorithm programmed into a relatively small terminal. Previously this could be done only with terminals connected

on line to a main computer centre. it seems likely to be several years, however, before enough retailers are equipped with the right terminals - redesigned, so that they do not burn out the chip - for it to become more commonlace for an nore commonplace for car-dholders to tap out their PIN codes instead of signing on the dotted line.

Revue d'Economie Financ TRIBUNE LIBRE Philippe LAGAYETTE : Qui surveille la finance mondiale? ARTICLES Mitsuo SATO : Le marché financier japoneia. Christian MERLE : La gestion de fonde aux Etats-Unis. Denis KESSLER : Qui possède quoi et pourquoi? Schel DIETSCH : Les PME et les conditions bancaires. Patrick ARTUS : Marché à terme et analyse des comportements

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DOSSIER

FINANCE ET RÉVOLUTION par Jean-Marte THIVEAUD

eyer ann PUP : B.P. 99, 51002 Enry Cader.

### FRENCH BANKING and FINANCE 5

George Graham investigates the Minitel videotext network

# Stay at home and be served

FRENCH banks are doing their dammedest to make their clients stay away from their branches.

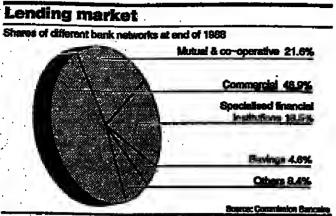
However, this is not part of a "Ee beastly to the customers" drive. Banks are using the carrot of better service, not the stick of refusing to deal with clients over the counter - as some US banks tried manc-cessfully a decade ago - with the aim of tempting people to use their home banking services.

France'a banks have one big advantage over their foreign competitors in this field: the Minitel, a videotext terminal handed out free to French telephone subscribers, which pro-vides an effective, and cheap, tool for reaching customers at

With nearly 5m Minitel ter-minals now distributed in France, the potential client base is very large. France Tele-com estimates that at the start of this year 16 per cent of households were equipped with a Minitel, and more than 30 per cent of the active population hed scores to a tornized at had access to a terminal at

Banking is now the fourth most widely used category of Minitel service, following the electronic phone directory, mail order and travel reservations, and an estimated 1.4m people have now signed up with their banks for home nking se

by 97 per cent to virtually zero. But the big three banks have also embarked on home bank-ing. Crédit Lyonnais had 243,244 retail customers on its One of the leaders in the field is Crédit Commercial de France, which in 1984 became the first bank to offer a Minitel Télélion account at the end of



service systematically to its cli-ents. It had 214,000 customers June, up 87 per cent from a year earlier, and 25,364 customon its Vidéocompte at the end ers on its professional Minitel of last year, allowing them to consult their balances and account, a rise of 51 per cent. Société Générale had 110,000 shift funds from one account to another, 60,000 of them have also signed up for Libertel, which teams the account with subscribers by the end of last year, making an average of 500,000 calls totalling 20,000 hours a month. Banque Nation-ale de Paris was slower to get off the ground but has also a revolving credit, and the CCF has now launched Vidéotitres, adding stock market dealing facilities. been expanding its Minitel ser-

Crédit du Nord, the retail bank owned by the Paribas Even the Post Office has now launched a home hanking ser-vice for its 8.6m banking cligroup, was also a pioneer with its Norvidéo account, which ents. The service is likely to be now claims 130,000 subscribers. Crédit du Nord also offers gratefully received, since the queues at the post office are stock market dealing services, and notes that this has allowed it to cut errors on share orders notorionsly long. These Minitel services offer a

clear advantage to the banks in that they can reduce the banks in that they can reduce the costs of handling a customer account. One of the reasons CCF was so enthusiastic about offering home banking to its customers was that it had

Patrick de Jacquelot defines 'bancassurance'

rashly promised them free statements every time a transaction was made on their accounts, a costly procedure. The Post Office acknowledges the same reasoning: its Minitel account will carry a subscription charge, but will be free to customers who have agreed to receive printed statements less frequently. At the same time, however

it allows customers to make better use of their money by switching surplus balances from their cheque accounts into savings accounts. This is particularly important, since French law prohibits interest For the time being, however, banks are reluctant to allow customers to buy and sell units of money market funds, which generally bear no entry or exit charges, through their Minitel accounts

The question of interest payments on cheque accounts has become the subject of fierce debate in France, as a number of hanks have launched products providing automatic sweeps of cash balances into interest-bearing accounts. Many senior bankers note, however, that any customer who wanted to take the trouble - and this includes small companies with their cash surpluses - could already do almost the same thing through the Minitel.

"It is clear that the client who uses the Minitel facilitates our task because there is less administration involved - a stock market order by Minitel for example, costs 10 per cent less to process. But it is also clear that the client will manage his treasury better on Min-itel," says Mr Pierre Simon, managing director of Crédit du Nord. With the Minitel, I believe everyone wins."



Claude Bébéa

private sector.

three.

"SIZE" and "internationalisa-

tion": these two watchwords have become the guiding stra-tegic principles of the French

insurance industry over the

past few years. Acquisitions and alliances

have multiplied to the point

that the insurance sector has changed almost beyond recog-

nition in 18 months. The most

pany to remain in the top

overs - and, in the process,

Group busines busines direct busines change 88/87 (france (france million million 35,425.1 27,760.4 19.662.9 15,762.2 17,833.6 UAP + 10.2 + 22.4 AXA-MIdi 10,426.6 AGF 12,090.9 10,979.6 23.070.5 +5.3 5,502.1 9,202.4 21,649.8 17,325.4 17,240.8 Groupam GAN Prédica +2.0 16,147.7 6,123.0 +14.717,240.8 + 161.5 CNP 15,393.1 +23.9 8,094.2 4.814.0 12.909.2 +21.5 + 10.0 Groupe Victoire 7965.9 3551.6 es du M 11,517.6 Athéna 2.731.1 8.259.5 +3.1

Direct

lite

# International expansion

striking phenomenon has been the emergence of two major and fast-growing groups in the private sector, AXA-Midi and Suez-Victoire-Colonia. Two years ago, there was a clear line of demarcation between private sector and allowing other European insur-ers to buy stakes in French companies

The most impressive transformation has been carried out by the AXA group. In June 1988, the company, headed by Mr Claude Bébéar, surprised between private sector and public sector insurance compaits competitors by allying with Mr Bernard Pagezy's Compag-me du Midi, to head off Italy's nies. The three state-owned insurers - Union des Assur-ances de Paris (UAP), Assurances Générales de France (AGF) and Groupe des Assur-Generali, which had been building a substantial stake in ances Nationales (GAN) -stood head and shoulders clear Midi. Until then, Mr Bébéar and Mr Pagezy had been prin-cipally known for their mutual of the numerous small and medium-sized companies of the

hostility. The logical denouement came in February, when Mr Bébéar ousted his rival and took the combined AXA-Midi Today, this league table has been completely overturned, and UAP is the only state comgroup into second place in the French insurance market. In The intervening period has seen a cascade of acquisitions in France and abroad Literally July, Mr Bébéar completed the operation by signing an agree-ment with Generali, sketching obsessed by the need to grow on an international scale, French insurers have expanded the outlines of a major interna-

tional grouping. AXA does not intend to stop abroad, by acquiring either modest stakes in foreign com-panies or achieving big takethere. The group already has a strong presence in the UK through Equity & Law, the life insurance group bought in 1987

That was not the end of the story, however, for after dis-agreements between the main shareholders, Compagnie Financière de Suez, until then an important but minority shareholder, launched a take-over bid for Compagnie Indus-trielle, Victoire's holding com-

pany. The bid was successful, and the combined Victoire-Colonia insurance company is now integrated into a financial ser vices group ranking among the very largest in Europe, with interest ranging from invest-ment banking, with Banque Indosuez, to industry, through Société Générale de Belgique, by way of specialised lending activities

In the next few weeks, the group is expected to be strengthened by the arrival of other insurance companies as minority shareholders in Vic-toire, alongside Suez. A number of foreign companies -British, Belgian and American are candidates, but UAP itself, still the largest French insurer and already a major shareholder in Suez, appears to be the best placed. UAP continues to be

the most active of the French insurance companies, and its number one ranking is still not under threat - at least unless AXA succeeds in taking control of Farmers. Rather than spectacular acquisitions, UAP has gradually built up a series **Continued** on Page 6

A marriage is arranged

A NEW buzzword is going round the French financial world. Astonishingly, it is for once neither English nor even Franglais: "bancassurance" is a home-grown French product.

It is no mere accident that the coining is purely French, for France has shown a particthat their main interest was to gain access to a complemen-tary distribution network, and ular interest in the concent of marrying the two trades of banking and insurance. thus to a potential market This interest has already share

taken concrete form in two operations: the takeover of the Crédit Industriel et Commer-. cial (CIC) bank by Groupe des Assurances Nationales (GAN), and the alliance between Union des Assurances de Paris (UAP) and Banque Nationale de Paris (BNP).

rationalise their computer The debate is fierce among bankers and insurers. Among systems, especially in areas such as securities custody or the proponents of "bancassur-ance", besides those just men-tioned, are groups like Comthe handling of stock market orders. longer an insurance company pagnie Financière de Suez,

group of regional banks which is also under state control. Unlike the agreement between cent. The application of the co-op-eration agreement is still being studied. This month, the two groups are to embark on a test Lloyds Bank and Abbey Life in the UK, this time it is the programme, marketing UAP's products through the BNP branch network and vice versa. grance company which has taken control of the bank. At GAN, officials explain

"The professions will remain separate, since they are techni-cally very different, but from the point of view of the cus-tomer we are moving towards a more marked integration of financial services," says Mr Experiments in distributing accident insurance policies have started in some bank Jean Peyrelevade, chairman of

branches, and the two groups have also started joint market-UAP, Once again, however, it will not be possible to take the real measure of this link-up for ing approaches to small and medium-sized companies. Plans are also being laid to some time.

It is, in any case, no accident that these two operations involve four state owned companies, which do not have normal access to the capital mar-

From now on, we are no By transferring majority

# INSURANCE

Leading insurance companies - 1988

Tota

%

Direct accident

by Midi. Now, Mr Bébéar has taken a key role in the bid launched by Sir James Gold-smith for BAT: if the operation succeeds, AXA-Midi will take control of BAT's US subsidiary Farmers, gaining in the pro-cess a significant footing in the US accident insurance market.

Until last summer, Mr Bébéar's group was widely thought to be the only com-pany in the private sector capable of taking such spectacular steps. The surprise was all the greater, therefore, when Victoire carried off the improb-able exploit taking control of a Wort Corman improvement of a West German insurer, and not just any insurer, but Colonia, number two in the country

behind Allianz. Victoire had previously lived under a veil of extreme discretion, and had only come to public attention through its abortive attempt to ally with Royal Insurance in the UK. Through the Colonia purchase, it in turn hoisted itself into second place among France's insurers, behind UAP but ahead of AXA-Midi.



Group

domestic

profits

(francs

million)

+ 1,261.6 + 2,216.8

+ 1,815.3

+ 1,777.2

+1.411.5

+241.1

+623.7

+912.7

+1,091.9

+654.7

Source: L'Argu

market share

11.2 8.8

7.3

6.9 5.5

5.5 4.9

4.1

3.7

26

which has just taken control of the insurance group Victoire. They underline the comple-mentarity between the two businesses, one of which brings in long-term. savings and the other short-term depos-

They also stress the need to offer a global financial service to their individual as well as to their corporate customers, and the advantage of greater size.

in the rival camp are groups such as AXA-Midi, Paribas, Société Générale, Assurances Générales de France (AGF) and Crédit Commercial de France (CCF). They believe, for the most part, that if you try to do several things at once, you will not do them well.

Although they are ready for and how co-operation agree-ments, they do not feel that is necessary for this purpose to have substantial shareholding links

est insurance company, UAP, and its largest commercial bank, BNP. The two groups, both nationalised, had at first drawn up a plan for a joint holding company. At the demand of the government, they trimmed down this plan to a more modest proposal: crossed shareholdings of 10 per Of the two major operations now under way, the most spec-tacular, in structural terms, is being carried out by GAN, the third largest nationalised insurance group, and CIC, a

tion.

says a senior executive of GAN. control of CIC to G ernment was able to resolve the capital difficulties of the bank without having to pay Though alluring on paper, the strategic approach has not convinced everyone. Some financiers believe that GAN

out itself. In the same way, the 10 per cent crossed shareholdings between UAP and BNP have reinforced the capital of will have a great deal of diffi-culty in taking real control of a have reinforced the capital or these two groups. Independently of broader strategic considerations, this certainly provided a good enough reason on its own for carrying out these regroupings. The insurance business also interests other banks, even if they have not some to the same curry in taking real control of a banking group which is as large as itself and has a partic-ularly complicated structure. CIC is, in fact, a federation of regional banks, each of which has a large degree of autonomy and some of which, in addition,

interests other banks, even if they have not gone to the same lengths: A number of banks are building up their own sub-sidiaries to sell savings prod-ucts based on life insurance to their customers. But accident insurance, too, is starting to attract some banks. Crédit Agricole, for example, which has had a huge success with Predica, the life insurance company it set up and some of which, in addition, are not in the pink of health. It will doubtides be several years before it will be possible to judge the success of the opera-Less ambitious in sharehold-

ing terms, the second major link-up concerns France's larg-est insurance company, UAP, insurance company it set m three years ago, has just announced the launch of a specialised property insurance company

The author is banking corre-spondent of Les Echos.



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IT HAS been a year of quiet revolution on the French stock exchange. Badical changes, which five years ago would have been greeted with incredulous outrage, have taken place with barely a ripple the transfer of the very last stocks from the floor of the exchange on to the CAC electronic trading system, the end of the fixed commissions tariff on July 1, the introduction of market-making on October 2. It even looked at one point that the stock exchange would leave the Palais Brongniart, the imposing edifice that has been its home since 1826, when the lease runs out next year, although Mr Régis Rousselle, the chairman of the exchange, has quelled fears on that point. The Paris stockbroking com-munity has taken these changes in its stride, as part of a longer process begun in the early 1960s and accelerated by the institutional reform launched in 1987 by Mr Edouard Balladur, then finance

And when the stockbrokers' closed shop, set up by Napo-leon, finally disappears on Jan-uary 1, 1993, its demise seems likely to be saluted with little

past few years is a market which prides itself on being the most modern and effective in continental Europe: electronic trading systems that have been developed from the CATS model of the Toronto Stock Exchange into Paris's own CAC system; overhanled take-over and disclosure rules; stiffened capital and prudential requirements for stockbrokers; and, next year, the Relit settlement and delivery system which will put London's back-

promising picture, however, lurk some less golden aspects, the most obvious of which is

fund, in uncovered positions on the financial futures market at the end of 1987 and the start of 1988, the exchange then completely revised its accounts; it discovered that it needed to make another FFr/00m of provisions to cover deficits at a number of member

ating losses of FF120.5m for nine months to December 31, largely as a result of the decline in turnover.

It also made new provisions totalling FFr380.3m, some of them to cover redundancy payments to employees and addi-tional tax liabilities in the wake of an inspection, but FFr246m to cover further risks on member firms.

This year, turnover in the

equity market, at least, has Equity market volume recovered, to average FFr2.Sbn a day in the first eight months

remarks\_

the profe

have in fact moved closer to 0.25 per cent. Some smaller brokers have

also made a push for market share by offering rates as low as 0.15 per cent.

Other brokers, meanwhile, have contrived to make back a good deal of what they lose on commissions by taking, in addition, a spread on most transactions, even before the formal introduction of market making on October 2. Spreads provided as much as 40 per cent of earnings for some brok-

ing firms last year. The sharp plunge in share prices on October 16 had the short term effect of raising vol-umes, but in the longer term, investors may once more be deterred from the stock market, and this could depress vol-

umes again. Mr Rousselle, on the other hand, is looking ahead to a wider European equity market. In competition with a proposal from the London stock exchange to extend its Seag International system, Mr Rous selle will propose to his col-leagues at other European Community exchanges on November 10 a form of association permitting each exchange

brokers in regular deficit with the exchange, which continues, When the brokers' under a traditional system

ciosed shor

A KEEN awareness of Paris's place in the financial world strikes any visitor there these days. But what is that place, and what are its prospects?

of Banque

V

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That Paris has changed fundamentally in the 1980s is no longer in doubt. The reforms which have opened up the stock exchange, the privatisa-tion of a large part of the bank-ing industry, the removal of most foreign exchange couirols, the new aggressiveness of French financial manage-ment, and the development of new markets for options and

#### There are 168 foreign banks in France, and the number grows monthly

financial futures: all these have transformed Paris into a financial centre of considerable

importance. In five years, France has moved from being one of the most highly regulated markets in Europe to one of the most deregulated, in parallel with the UK," says Mr Jorgen Wagner-Knudsen, senior vice-presi-dent of Morgan Guaranty's

Paris branch. There are now 168 foreign banks in France, and the number grows monthly. This puts it third in the world, after London and New York. Several forelen institutions belong to the Paris Bourse, and more foreign companies are quoted there all the time. The natural goal would seem to be to aim to match London's predominance of the European time zone. But

this is not the case. "If we were to get into a battle with London, I don't think we would win," says Mr Pat-rick Duverger, head of Société

Générale's capital markets operations, reflecting a widely held view. "But we do have a "But we do have chance to be first on the Continent. Germany has far to go, and Switzerland is a small

stature.

market. Much of Paris's advance lies in the evolution of the stock market. From a position where it was only a fifth of the capi-talisation of the London martailsation of the London mar-ket, the Bourse is now nearly a third as large. It also has more modern trading and settlement systems than London, and fursystems than London, and Im-ther changes being introduced will facilitate market-making, the key in many people's view to a market of international

The growing foreign presence on the exchange is also encouraging international use

of the market, and stirring a der dealing. This, in turn, is forming the basis for a bigger investment banking and corporate finance industry. Paris's lower costs and more central Eurpean location are also es vis-a-vis London.

All this has taken place under the active guidance of Mr Pierre Bérégovoy, the Finance Minister who has taken a close personal interest in Paris as a financial centre. But there are also clear limitations on Paris's aspirations. For one thing, Paris is not the home of any major interna-tional market, such as Eurobonds or foreign exchange, both of which give London its world stature. This would explain wby, despite the growth in the foreign banking sence, the number of international institutions there is only half that of London. The largest foreign banks in Paris also number their staff in the

David Lascelles examines Paris as a financial centre

posts." hundreds where they would be

shortage of skills, due mainly to the rapidity of recent changes. "Parls is strong insofar as financial instruments are concerned, but not people," says Mr Michel François-Pon-cet, chairman of Paribas, the ing that adjustment. The stock exchange has introduced rules governing the conduct of takeovers which investment banking group should make market manipula-tion harder. A committee headed by Mr Didier Pfeiffer, with extensive international connections.

in their thousands in London Another limitation is the

However, "Anglo-Saxon" skills and techniques are find-ing their way into the French market. Leveraged finance transactions are beginning,

Anglo-Saxon skills and techniques are finding their way into

the market though they are held back by a shortage of financing sources. "France has been able to assimilate the high leveraged

culture", says Mr Philippe Ges-lin, joint managing director of Banque Indosuez. A further issue is the less tangible question of regulation and business ethics. Recent

insider trading scandals involv-ing allegations of insider deal-ing in shares in top companies like Société Générale have raised questions abont the integrity of the French mar-kets. While such scandals have also hit London, New York and Tokyo, they have highlighted the tight web of corporate and Paris market the chance to demonstrate its ability to cope with a major upheaval. It emerged with mixed reports. Although a huge volume of shares was traded, a large number of shares had to be suspended because they fell more than the allowed limit, and this irritated many foreign hrokers. personal contacts that run through the French business establishment and made foreigners, in particular, suspi-cious of intrigue.

"This is a very clubby place", says a European invest-ment banker. "They are quite capable of moving the goal-

Important transformation Mr François-Poncet agrees that ethics play an important role. "The French will have to adjust to gain credibility," he says, though he believes that French banks are already mak-ing that adjustment

managing director of UAP, has also beeu asked to clarify

insider trading practices. But though French law outlaws

insider trading, it has yet to be seen whether the allegations made in the Société Générale

and Pechiney-Triangle cases will be pursued to the point of

A specific complaint which the finance industry constantly

the bourse which, it claims, is driving equity trading business out of Paris, mainly to London. A few weeks ago it was raised

again by bankers at a private meeting with Mr Bérégovoy.

"We thought it would be abolished this year, but it prob-ably will not now be," says Mr Patrick Poupon, chief execu-tive of stockbrokers Sellier.

Stamp duty is, however, a uni-versal complaint in the securi-ties business, and London deal-

ers ere just as critical about the UK levy. The recent collapse in world.

stock markets also gave the Paris market the chance to

charges.

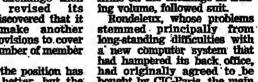
brokers.

more than a shrug. What has been built over the

stockbroking firms are worrled about their weaker brethren, about their weaker brethen, especially those that chose to specialise in the bond market. Bond turnover has stagnated this year, and commission rates have been slashed to the offices to shame. Behind this authentically

the stock exchange itself. bone. Two firms, Baudoin and Buisson, had already had to After. losing FFr614m, around a third of its reserve file for bankruptcy in 1988, and in July this year, Rondeleux, ranked among the 10 largest firms on the exchange in trad-

firms. Since then, the position has been a little better, but the exchange still announced oper-



firms

had originally agreed to be bought by CIC-Paris, the main division of the Credit Indus-triel et Commercial banking

group now controlled by the state insurer, Groupe des Assurances Nationales (GAN),

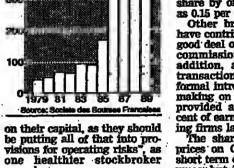
but CIC pulled out when it saw the size of the problem. However, the danger is more widespread. A third of Paris's been completely absorbed by commercial banks. Many of the 45 broking firms lost money in less profitable firms are backed 1988, and another third made less than FFriom of profit up by a strong institutional "which means they did not make enough to get a return But there remain around 10

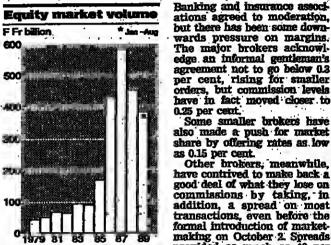
of the year; 60 per cent higher than in the same period of

The exchange has also revised the structure of the

charges it levies on member

But many of the healthier





FINANCIAL TIMES THURSDAY NOVEMBER 2 1989



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### Expansion abroad

Continued from Page 5 of significant foreign alliances: buying a third of Royale Belge, more than 20 per cent of Sun Life in the UK, and so on UAP has also reached a co-operation agreement with Banque Nationale de Paris (BNP), the largest state-owned bank. The other two insurance companies in the state sector,

on the other hand, have been sidestepped by these upheav-als. AGF, symptomatically, was still the second largest insurer last year.

insurer last year. Today, it ranks only fourth. The group has not been inert, nevertheless. It has acquired a 27 per cent stake in Assubel, the third largest Belgian insurer, and has just signed an agreement to take control of MAA in Italy. GAN, on the other hand, appears left out. Claiming that it does not want to join in the race for growth, the group has instead preferred to take con-trol of the Crédit Industriel et Commercial (CIC) bank.

Commercial (CIC) bank. Behind these five major groups, two other significant operations have also taken place. Compagnie de Navigation Mixte agreed in September to sell half its insurance activities (Via, Rhin et Moselle) to

the West German group Allianz. The operation is par-ticularly important as it represents the first substantial entry of the European number one into the French market Mixte is now, however, the tar-get of a takeover bld from Pari-bas valuing the whole com-pany at FFr22.5bn.

Finally, two medium-sized private sector companies, PFA and GPA, merged in the spring to create, under the control of the Worms group and its hold-ing company Pechelbronn, the ing company Pechelbrown, the main insurance group that remains independent. The post-tion of PFA-GPA is expected to evolve, and the company is understood already to have plans for foreign alliances. This far-reaching wave of restructuring has, for the time being, left only the mutual insurance companies on one side. Powerful and profitable, these companies remain

these companies remain wholly French, and their legal status prevents them from taking a more active part in the wider reorganisation of the sec-

> The rule change, however, allowed negotiable commis-sions for foreign institutions, Patrick de Jacqueloi

The author is banking corrent of Les Echo

which is increasingly con-tested, to provide the equivalent of overdraft facilities. "It is completely abnormal that the stock exchange should

too, and on smaller orders.

The big, solidly implanted

equity firms remain profitable, with Cheuyreax de Virleu, now

owned by Banque Indosuez, Bacot-Allain, part of the War-

burg group, and Cholet Dupont, partly owned by Credit Lyonnais, at the top of

sion. Some smaller firms have

disappears on January 1, 1993, its demise seems likely cover the daily and monthly shortfalls of lossmaking broto be saluted with little kers," complains one senior broker.

more than a shrug

. The pressure on brokers' to trade other countries' major The pressure on brokers' profit margins seems likely to continue as the market gradu-ally reacts to the abolition of the fixed commission tartiff on July 1 this year. The abolition was not as traumatic as it might have been, since for French institu-tions, de facto if not de jure, commissions on orders above FFr2m for equities and FFr10m for bonds have been negotiable for years through the system stocks.

The French proposal is for 200 to 300 stocks to be recog-mised by a European system, with trading information spread in each stock's domestic currency and in Ecus through-out the member exchanges on a network dubbed "Pipe". It also envisages the connection of the separate national settle-ment systems.

for years through the system known as "retrocessions". "If I were the London stock exchange, I would have made the same proposal that they did. But London frightens the other 11 countries of Europe," comments Mr Rousselle. These retrocessions, or clawbacks, were payable only to banks and credit institutions,

but every insurance company or fund management group He noted that the Seaq pro-posal is based on market-mak-ing — not applicable as a trad-ing method in every EC country — and includes no procontrived one way or another to have the retrocession paid to a bank within its orbit. This applied to almost all small cil-ent orders, since these are virvision for eettlement procetually always handled in France through a bank, rather than directly through a stock-broker. dures.

"It will be difficult," Mr Rousselle concludes, "but it would be serious if, on finding that Europe does not exist on the level of its stock markets, we didn't try to do something about it."



### FRENCH BANKING and FINANCE 7

George Graham looks at the quickening takeover activity

AS FRANCE'S traditional summer lethargy set in at the start of August, Compagnie Financière de Suez startied the drowsy stock market by lannching a two-pronged FFT24.10n bid for the shares it did not a based output did not already own in Groupe Victoire, one of the leading private sector insurance companies in France, and for Compagnie Industrielle, Victoire's principal shareholder.

The bid was not merely the largest the French stock exchange had ever seen - and it later rose still further to FFr27.4bn, following an increase in Suez's terms - it also provided a symbolic swansong for France's old takeover rules, highlighting in the process many of the reasons why new rules were needed.

Two legal questions were at the heart of the battle:

Could Mr Jean Marc Vernes, the controversial chairman of Compagnie Industrielle, use the shares held by the group's own subsidiaries on his side of the battle? and

Could Mr Vernes, already the largest shareholder in Compagnie Industrielle, beat off Suez's attack by bnying more shares in the market, rather than through a full counter-bid?

The first question went to the law courts, but was never fully resolved. It will become, in any case, redundant in July

OVER the past few years, the French Treasury has waged a tireless campaign to modernise its own funding techniques and, in the process, to open up a wider international market for its bonds. With foreign demand now

monnting steadily, not only have French government bonds become an everyday part of the international investor's portfolio, but the franc itself now appears well on the way to becoming a genuine investment currency. Even the nearly dormant Eurofranc market has revived

this year, with a surge of activ-ity in July: FFr6bn of new fixed rate issues in one month, when the whole of 1987 saw only FFr11bn of issnes. A change in the regulations, allowing French banks to borrow on the Euromarkets in francs without having to swap immediately into a foreign currency, could attract some French borrowers.

In parallel with this renewed Eurofranc activity, the Ecu, or Another rule change, lower-ing the minimum duration European currency unit, has seen a revival of interest. The French Treasury led the way with an Eculon issue yielding 8.6 per cent in Anril, lead man-aged by Crédit Lyonnais and Paribas, targeted especially at from three years to one, was followed up last month by Volvo with an original oneyear issue, managed by Sociébě Générale, offering a relatively

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Number of takeovers of listed companies

and the second 60 50 40 80 20 🏢 10 0 1980 82 4 85 88 Source: Commission des Operations

de Bourse 1991 when this kind of circular share ownership is to be outlawed under a recently passed law. On the second question, the

high yield of 12.16 per cent, hut with the catch that the Swed-ish car group can decide next year whether it prefers to

The franc appears

well on the way to

becoming a genuine

Investment currency

repay in francs or dollars, with the exchange rate fixed at the

origin.

stock market regulatory anthorities made it clear that they were in no doubt that Mr Vernes must make a full bid if

he wanted to raise his stake. Much less clear, however, was whether they would be able to enforce their will in the face of

Mr Vernes's declared intention to act through friends. The same law, however, now also introduces to French jurisprudence the concept of con-cert party action, and is expected to make it easier to stop people from circumventing the rules by acting through their friends.

But the most striking change in the new law is that it will introduce the obligation, simi-lar to London's Rule 19, for an investor who takes his stake above one third of a company's capital to make a hid for at least another third. The new rule, contained in

individual. The Treasury fol-

lowed up in July by selling a further Ecu352m at auction, thus integrating the Ecu bond

into its usual selling appara-

The regular monthly auc-tions of OATs, as the main tap-stocks are known, now ensure

almost all government funding, aithough the Treasury is still willing to syndicate a new issue, as it did with the Ecu bond, especially if it wants to

reach a wider market of small

investors who generally have not made the leap into the new

style of bond market. Treasury officials estimate

that the auctions, with three

different stocks sold on the first Thursday of each month

according to a predetermined calendar, hava cut perhaps 50

tus.

outline in the law passed by parliament but spelt out in detail in a new stock exchange rulebook, will partially replace "maintien de cours", whereby someone who bays a "control-ling stake" must agree to offer the same price to other share-boldere in the mericet lit holders in the market. It should, however, provide a

DOMESTIC BONDS

wider international market

cient.

much clearer trigger point than the somewhat debatable definition of "controlling" France's 500 largest companies. If the number of public take-over bids has tripled in five stake".

The stock exchange has, nevertheless, included a number of exceptions to the role of the compulsory bid. Some invest-ment bankers feel that these exceptions could weaken the clarity of the takeover code. Nothing, on the other hand, appears likely to weaken the appetite of French companies

for takeovers. The entire fabric of French industry bas over the last few years been radi-Nothing appears likely

to weaken the appetite of French companies for takeovers

cally restructured, with a surge in the number of takebids for listed companies but also a far larger wave of mergers and acquisitions in the sizeable family sector, which a decade ago still accounted for more than 30 per cent of the capital invested in

basis points off the govern-

ment's borrowing costs by increasing competition and making the market more effi-

to make the entire system more comprehensible to for-eign investors, since the pro-

cess closely resembles the tech-niques used in the US for

selling Treasury bonds. For-

eigners, bowever, still partici-pate only rarely in the auctions

and generally prefer to buy in

the secondary market, with the exception of some foreign cen-

One virtue of the auctions is

years to total 65 last year, the total mergers and acquisitions market in 1968 is estimated st FFr300bn, with only around FFr40bn of it in the stock market.

Besides a longer term tendency for family-owned companies to change hands - many of France's most dynamic businesses were created in the years following the end of the Second World War, and their founders are in many cases now approaching the end of their careers - the effect of the 1987 stock market deterred many owner managers from floating their companies on the market. At the same time, it made many of those who were already listed, cheaper targets for potential buyers. But dominating all is the

international movement of restructuring which has seen industrialists in sectors as diverse as biscuits, champagne, defence electronics and chemicals desperately roshing to build up market share by

ing in the anctions requires

closer attention to the specifici-ties of the French market than

most international bond portfo-

Three changes in

legislation have led

to a structural shift in

the bond market

acquisitions – or "external growth", as French managers prefer to call it.

France has been no sluggard in this movement. In the first six months of this year, in fact, France was the most active acquiring nation in western Europe, according to the spe-cialist publication 1992 M&A Monthly, French companies made 86 purchases in the rest of Europe worth a total of Ecu4.1bn. The same survey, however, shows that France was also one of the most open markets for foreign buyers to come into, with 91 acquisitions worth a total of Ecu2.3bn.

The state sector has been prominent in the move to make cross-border acquisitions, despite the difficulty that many state-owned compa-nies have had in extracting funds from their shareholders. Banks and insurance companies have been particularly active in Italy, where Crédit Lyonnais has taken control of Credito Bergamasco, Union des Assurances de Paris (UAP) has won Allsecures, Groupe des Assurances Nationales bought

10 per cent of SAI and Assurances Générales de France has acquired 50 per cent of MAA.

But it is the state's indus-trial holdings which have made the most spectacular moves: Pechiney, the aluminium producer, with the \$1.25bn purchase of American Nstiooal Can in the US, and Rhone-Poulenc, the leading French chemicals company, with a whole string of acquisitions over the past few years, colminating in September with the simultaneous announcements that it was buying RTZ Chemicals in

#### In the first half of 1989 France was the most active acquiring nation in western Europe

the UK for 2512m and GAF Surfactants and Specialty Chemicals in the US for \$480m all this at the same time as

guaranteeing its pharmaceuti-cals affiliate, Institut Mérieux, in a C\$942m bid for Connaught BioSciences in Canada, a bid that has been agreed by the

**Bond market volume** F Fr billion 4,0001.

on investments in overseas or unlisted securities, to buy and sell in dollars ADRs represent-ing the French bonds and listed on the New York Stock Exchai

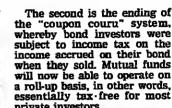
The ADR programme was the first carried out for a soverthe first carried out for a sover-eign borrower, and covered the two principal bonds, the OAT 9.8 per cent 1996, with FFr44bn outstanding, and the OAT 8.5 per cent 1997, with some FFr25bn outstanding. Despite receiving the top

AAA rating from US ratings agencies, allowing them to fea-ture in the portfolios of even the most cautious of pension funds, the ADR programme is widely reckoned to have been a lio managers are prepared to One attempt to open the

1963 rule known as the "obliga-tion de l'obligation", requiring mutual funds to hold at least 30 per cent of their assets in the form of bonds. This is likely to lead to a substantial failure. "There was a great deal of fuss made about the launch, but there are still one or two ingredients missing," com-mented one primary dealer.

Meanwhile, in the domestic market, three major changes in legislation have led to a struc-tural shift in the bond market.

\* Jan -Aug



private investors. The third change, included in the budget for 1990, is the reduction in the withboldiog tax levied on bonds from 27 per cent to 17 per cent. The net result will be a mod-

ification in the bebaviour of investors, especially mutual fund managers, and although the government bond sector appears unlikely to be greatly affected, some bankers fear the consequences for the secondary market in other issuers'

For some of the larger public sector issuers, the emergence of market-makers seems likely to ensure that a secondary market is sustained, at least in their main bonds. However, smaller public and private sector issoes, now traded on the CAC electronic quote system, may become still less liquid.

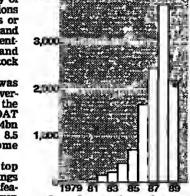
**George Graham** 



He's as famous as his ears.

French OATs, the aim was to widen acceptance in the US. These proxy instruments allow US institutions, many of which have trustee restrictions Treasury campaign opens a

(ADRs) for two of the main



Source: Societe des Bourses Françaises

The first is the ending of a

shift by many short-term

money market funds towards shorter term paper such as cer-

tificates of deposit or commer-

cial paper.

dian government. in the private sector, insurance companies bave once again not been idle, with Vic-toire agreeing to take cootrol Symbolic swansong for the old rules

of Colonia/Nordstern, West Germany's second largest insurance group, just days before it became itself the tar-get of Suez, and AXA-Midi lining up to pay \$4.5bn for Farm-ers in the US in the event that Sir James Goldsmith is successful in his bid for BAT

target but blocked by the Cana-

industries, Farmers' pareot. But it is Mr Antoine Riboud. the sprightly 70-year-old chair-man of BSN, France's leading foods group, who has shown the most insatiable appetite. In June be paid \$2.5bn for five biscuits and crisps companies belonging to RJR Nabisco, only to turn round and sell two of them on to PepsiCo for \$1.35bn a month later.

Without drawing breath be then took a 35 per cent stake in Galbani, Italy's leading cheese producer, in an operation con-ducted jointly with the Agnelli group that cost a total of L224ibn, and last month he added Birkel, the second larg-est noodle producer in West Germany, to his shopping basket\_

As Europe moves towards a unified internal market, Mr Riboud's example seems likely to inspire many of his fellow managers in France.

### THE LEADING GROUP SPECIALISED IN FINANCIAL SERVICES IN EUROPE

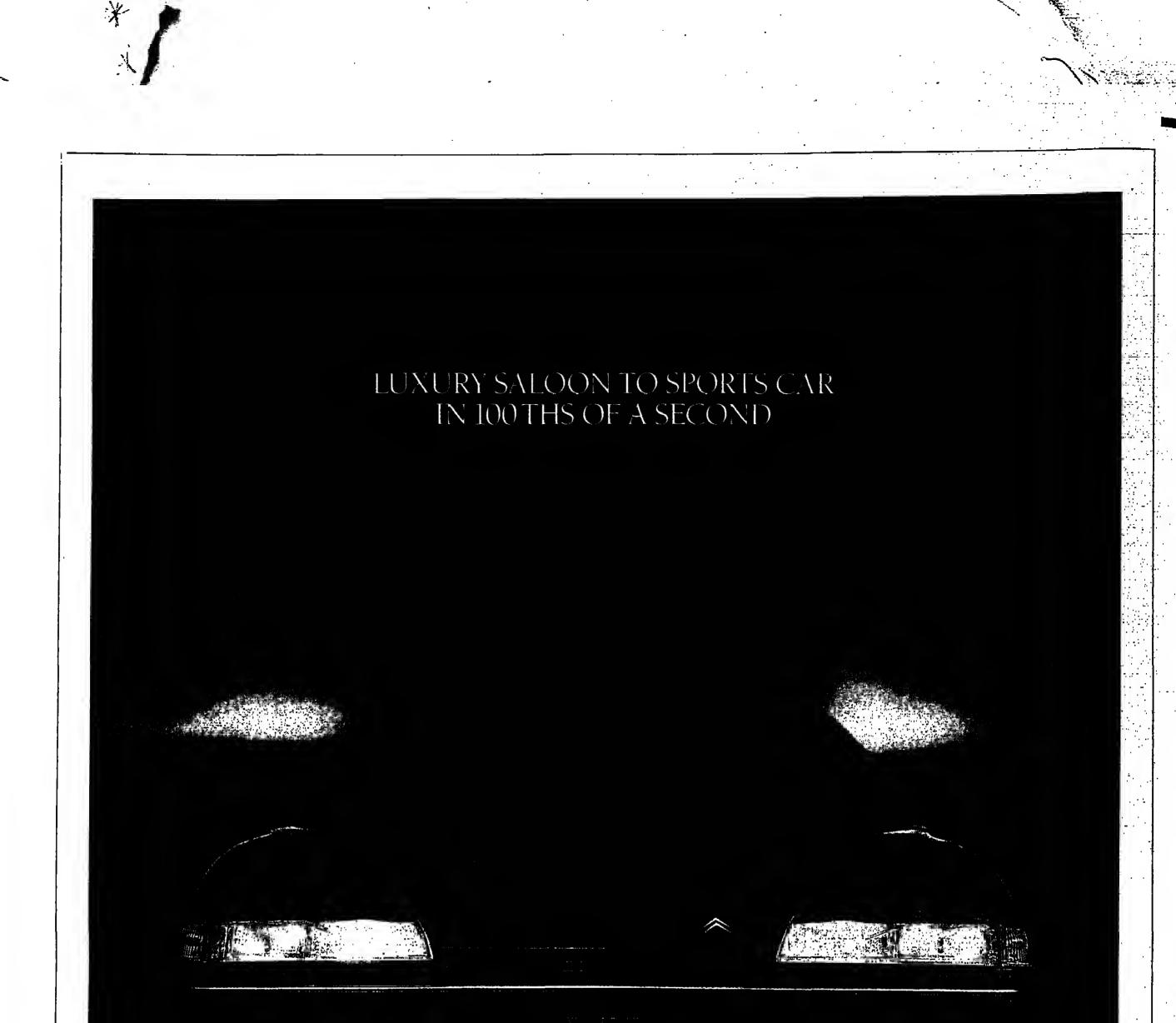
989 INTERIM	12 month period July 1, 1988 — June 30, 1989				
CONSOLIDATED RESULTS	FF billion	change previous year %			
ompagnie Bancaire Group	<b>0</b> 4				
New loans and leases	- 75.4	+20			
Outstanding loans and leases	- 158 - 1.511	+ 17			
Net operating income		+ 13			
roportion attributed to Compagnie Bancaire					
Net operating income	0.972	+ 15			
ie. per share F	F 47				
STRENGTHENING ITS CAPITAL BA	<b>SE IN 1989</b>	)			
brough a rights issue of one new share for ev	very five held.	The amount			
aised is 1,183 million francs.		Section of the sectio			
EXPANDING ITS PRESENCE ON TH	IE ELHO				
ND FOREIGN CAPITAL MARKETS		State of the second state			
o fund its development in France and in othe		untrios			
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Yen 3 billion Floating rate Notes due 1993					
Yen 10 billion 5.30% Bonds due 1999					
Canadian Dollars 100 million 12% Notes due					
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F. Francs 750 million 9%% Bonds due 1995		,			
ECU 80 million 9 % Bonds due 1991		•			
F. France 500 million 8% % Bonds due 1994					
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a2 by Moody's Investors Service	2				
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A diversified Group of Compani	ies active in:				
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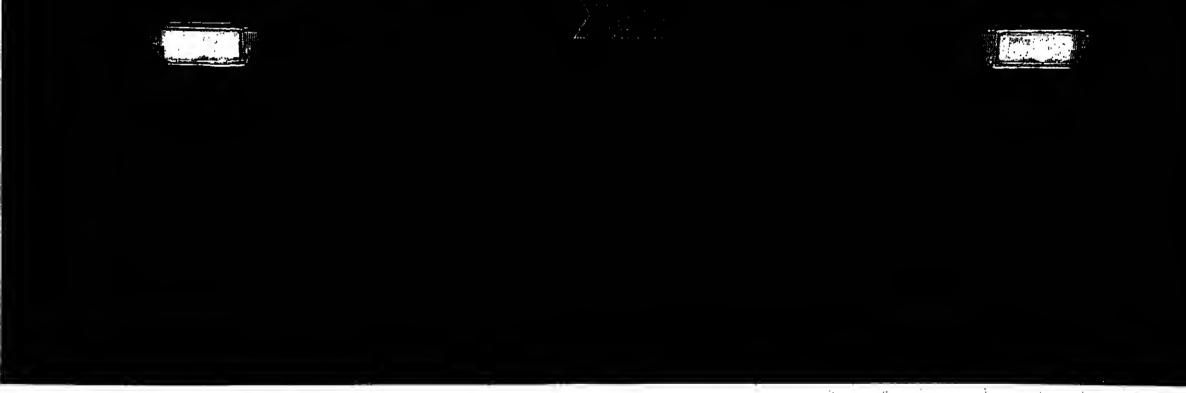
and his ears are as big as his projects. When your projects are as big as your ears, we at BNP lend ours.

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On long motorways, the forgiving ride of a huxury saloon might be a pleasure. But take a turn off on to a fast, winding road, and its roadholding can become exactly that. A turn-off. Which is why we've developed the new Citroën XM.

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Quite simply it's the first car to combine an executive saloon ride, and, when the road or your driving demands it, sports car handling. Behind this performance is a computer which continually monitors the XM's reactions to the road as you drive. Approach a fast left-hander and it will stiffen the XM's suspension and improve its roadholding within a fraction of a second. Making it the first computerised suspension system fast enough to anticipate the road ahead.

You'll still appreciate the long-legged comfort of the XM on fast, straight roads. Its exceptionally well-appointed air-conditioned leather interior. And the silence of a sleek body design that boasts a cd low as 0.28.

Take that turn-off though, and the XM's taut handling and ABS braking may tempt you

to explore the power of its 170 BHP 3 litre V6 fuel-injected engine. Not to mention the startling acceleration of 0-60 in 7.8 seconds.

10.00

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M/M

Charles Cold

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This may sound like we're encouraging you to develop a split personality. But if you enjoy driving, we think you'll find the idea of a luxury saloon with the handling of a sports car remarkably level-headed.

The Citroën XM range comprises a variety of models from 2 litre carburator to 3 litre V6 SEi. Car featured: XM 3 litre V6 SEi. All models run on unleaded petrol. All V6 models are fitted with catalytic convertor. Source of information: manufacturer. For tax free export/sales ring Citroën Berkeley Square, London, on 01 - 629 8818.

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